



MEMORANDUM

DATE: February 8, 2019

TO: USAID/Rwanda, Mission Director, Leslie Marbury

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: Financial Audit of USAID Resources Managed by African Evangelistic Enterprise in Rwanda Under Multiple Awards, January 1 to December 31, 2017 (Report No. 4-696-19-040-R)

This memorandum transmits the final audit report on USAID resources managed by African Evangelistic Enterprise (AEE) under the following agreements:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Strengthening Civil Society to Support Vulnerable Populations (Ubaka Ejo Program) (cooperative agreement)	AID-696-A-12-00005	Jan. 1- Dec, 31, 2017	
Improved Services for Vulnerable Population, Twiyubake program (subcontract)		Jan. 1- Dec, 31, 2017	Global Communities
Gikuriro Program (subagreement)		Jan. 1- Dec, 31, 2017	Catholic Relief Services
Huguka Dukore Program (subaward)		Oct. - Dec, 31, 2017	Education Development Center, Inc.

AEE contracted with the independent certified public accounting firm RUMA Certified Public Accountants (RUMA), Kigali, Rwanda to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS except that the audit firm did not have an external peer review as required by GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not

express an opinion on AEE's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate AEE's internal controls; (3) determine whether AEE complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

To answer the audit objectives, RUMA (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by AEE as incurred from January 1 to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to AEE's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; (4) determined that a 10 percent de minimis indirect cost rate is applicable; and (5) reviewed the implementation status of prior period recommendations. AEE reported expenditures of \$2,062,039 in USAID funds during the audited period.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The auditors identified \$49,510 in ineligible total questioned costs, with \$15,904 of these questioned costs related to subawards. The audit firm identified three instances of material noncompliance and no material weaknesses in internal control. However, a management letter included a deficiency in internal control that OIG deems to be significant. Consequently, we will include a recommendation to address that significant deficiency in internal control.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated February 8, 2019.

To address the issues identified in the report, we recommend that USAID/Rwanda:

Recommendation 1. Determine the allowability of \$33,606 in ineligible questioned costs on pages 11 and 25 of the audit report and recover any amount that is unallowable.

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

Recommendation 2. Verify that African Evangelistic Enterprise corrects the one significant deficiency in internal control detailed on page 10 of the management letter.

Recommendation 3. Verify that African Evangelistic Enterprise corrects the one instance of material noncompliance detailed on pages 35 to 36 of the audit report.

Recommendation 4. Verify that African Evangelistic Enterprise provides Global Communities, Catholic Relief Services, and Education Development Center, Inc. with a copy of the findings raised in RUMA's audit report for their review and appropriate action regarding (a) any ineligible questioned costs identified on pages 11 and 25 of the audit report pertaining to their particular subawards and (b) the two instances of material noncompliance related to the subawards detailed on pages 35 and 37 of the report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b) (4) ("commercial or financial information obtained from a person that is privileged or confidential").