



## MEMORANDUM

**DATE:** March 26, 2019

**TO:** USAID/Kenya and East Africa, Mission Director, Mark Meassick

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Northern Rangelands Trust in Kenya Under Multiple Awards, January 1 to December 31, 2017 (Report No. 4-615-19-063-R)

This memorandum transmits the final audit report on USAID resources managed by Northern Rangelands Trust (NRT) under the following awards:

Award Name (Type)	Award Number	Period Audited	Prime implementer
Climate Resilient Community Conservancies Program (cooperative agreement)	AID-615-A-15-00009	Jan. 1- Dec. 31, 2017	
Accelerated Value Chain Development (Livestock Value Chain) (subaward)	Grant number IS03/USA081	Jan. 1- Dec. 31, 2017	International Livestock research Institute (ILRI)

NRT contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Nairobi, Kenya 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 continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NRT's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

<sup>1</sup> 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.

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 NRT's internal controls; (3) determine whether NRT 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, PwC (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 NRT 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 NRT'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 the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. NRT reported expenditures of \$3,539,453<sup>2</sup> in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$229,683 in ineligible questioned costs. The audit firm also reported three instances of material noncompliance. No significant deficiencies or material weaknesses in internal control were reported.

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 March 26, 2019.

To address the issues identified in the report, we recommend that USAID/Kenya and East Africa:

**Recommendation 1.** Determine the allowability of \$229,683 in ineligible questioned costs on pages 12, 15, and 19 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Northern Rangelands Trust corrects the three instances of material noncompliance detailed on pages 23 to 26 of the audit 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.

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<sup>2</sup> Total expenditures per the fund accountability statement of \$3,574,236 less expenditures of \$34,783 related to a United States Forest Service grant.

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”).