



MEMORANDUM

DATE: March 20, 2019

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

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Egerton University - Tegemeo Institute in Kenya Under Agreement AID-623-A-12-00022, July 1, 2016, to December 31, 2017 (Report No. 4-623-19-057-R)

This memorandum transmits the final audit report on USAID resources managed by Egerton University - Tegemeo Institute. Egerton University - Tegemeo Institute contracted with the independent certified public accounting firm KPMG, 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 an external quality control review program 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 Egerton University - Tegemeo Institute'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 Egerton University - Tegemeo Institute's internal controls; (3) determine whether Egerton University - Tegemeo Institute complied with award terms and applicable laws and regulations; and (4) review the implementation status of prior period recommendations.

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.

To answer the audit objectives, KPMG (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 Egerton University - Tegemeo Institute as incurred from July 1, 2016, to December 31, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Egerton University - Tegemeo Institute'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; and (4) reviewed the implementation status of the prior period recommendations. Egerton University - Tegemeo Institute reported expenditures of \$1,668,529 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 \$125,917 in unsupported questioned costs. The audit firm also reported one instance of material noncompliance. No significant deficiencies or material weaknesses in internal control were identified. Although the audit firm questioned \$27,482 in unsupported cost-sharing contributions, we are not making an additional recommendation for this since the excess cost-sharing contribution upon closeout was more than the amount questioned.

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 20, 2019.

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

Recommendation 1. Determine the allowability of \$125,917 in unsupported questioned costs on pages 8 and 11 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Egerton University - Tegemeo Institute corrects the one instance of material noncompliance detailed on page 17 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.

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”).