



MEMORANDUM

DATE: May 21, 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 Locally Incurred Costs of USAID Resources Managed by Plan International in Kenya Under Agreement AID-615-A-15-00005, August 24, 2015, to June 30, 2018 (Report No. 4-615-19-013-N)

This memorandum transmits the final audit report on locally incurred costs of USAID resources managed by Plan International in Kenya. USAID/Kenya and East Africa 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 Plan International'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 Plan International's internal controls; (3) determine whether Plan International complied with award terms and applicable laws and regulations; and (4) determine whether Plan International complied with local taxation laws.

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, 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 Plan International as incurred from August 24, 2015, to June 30, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Plan International'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 compliance with local taxation laws. Plan International reported locally incurred costs of \$24,740,800 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. However, the audit firm identified \$573,021 in total questioned costs (\$566,282 ineligible and \$6,739 unsupported). The audit firm also reported one significant deficiency in internal control and three instances of material noncompliance. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Kenya and East Africa determine if the recipient addressed the issue noted. In addition, the cost sharing contribution schedule included total questioned costs of \$61,602 (\$3,112 ineligible and \$58,490 unsupported). The audit firm also issued a separate management letter.

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 May 21, 2019.

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

Recommendation 1. Determine the allowability of \$573,021 in questioned costs (\$566,282 ineligible and \$6,739 unsupported) on pages 16 and 21 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Plan International corrects the three instances of material noncompliance detailed on pages 29 to 32 of the audit report.

Recommendation 3. Take appropriate action under ADS 303.3.10 regarding the \$61,602 in questioned cost-sharing contributions (\$3,112 ineligible and \$58,490 unsupported) identified on pages 33 to 39 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”).