



MEMORANDUM

DATE: May 24, 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 Trade Mark East Africa in Multiple Countries Under Cooperative Agreement AID-623-A-14-00002, July 1, 2017, to June 30, 2018 (Report No. 4-623-19-086-R)

This memorandum transmits the final audit report on USAID resources managed by Trade Mark East Africa (TMEA) in Burundi, Kenya, Rwanda, Tanzania and Uganda. TMEA contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Nairobi, Kenya to conduct the audit. The audit firm stated that the contract required the 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 generally accepted government auditing standards 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 TMEA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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.

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 TMEA's internal controls; (3) determine whether TMEA complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; (5) determine if TMEA complied with applicable taxation laws; and (6) 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 TMEA as incurred from July 1, 2017, to June 30, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to TMEA'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) reviewed the indirect cost rate; (5) reviewed compliance with taxation laws; and (6) reviewed the implementation status of prior period recommendations. TMEA reported expenditures of \$1,061,747 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. The audit firm did not identify any questioned costs, material weaknesses in internal control, or instances of material noncompliance. Therefore, we are not making any recommendations.

The audit firm also issued a management letter. Page 6 includes an instance of noncompliance that was not considered material by the audit firm. Although we are not making a recommendation on this item, we suggest that USAID/Kenya and East Africa determine if the recipient has addressed the issue noted.

During our desk review, we noted 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 24, 2019.

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”).