



MEMORANDUM

DATE: June 24, 2019

TO: USAID/Kenya & 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 Deloitte & Touche in East Africa Under Agreement AID-OAA-A-15-00030, May 1, 2017, to April 30, 2018 (Report No. 4-623-19-089-R)

This memorandum transmits the final audit report on USAID resources managed by Deloitte & Touche for the Young African Leadership Initiative (YALI) Regional Leadership Centre - East Africa Program. Deloitte & Touche 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 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 it does not have continuing professional education and external quality control review programs that fully met the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Deloitte & Touche'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 the Deloitte & Touche's internal controls; and (3) determine whether Deloitte & Touche complied with award terms and applicable laws and regulations, (4) determine whether Deloitte & Touche has complied with host government taxation laws regarding goods and services acquired by Deloitte & Touche; and (5) reviewed the implementation status of

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.

prior period recommendations.

To answer the audit objectives, PricewaterhouseCoopers (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 Deloitte & Touche as incurred from May 1, 2017, to April 30, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Deloitte & Touche '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) tested whether Deloitte & Touche complied with host government taxation laws; and (5) reviewed the implementation status of prior period recommendations. Deloitte & Touche reported expenditures of \$3,037,054 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 identified \$49,353 in ineligible questioned costs. The audit firm also identified one significant deficiency in internal control and one instance of material noncompliance. Although we are not making a recommendation regarding the significant deficiency, we suggest that USAID/Kenya and East Africa determine if the recipient addressed the issue noted. No material weaknesses in internal control were identified.

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

Recommendation 1. Determine the allowability of \$49,353 in ineligible questioned costs on pages 11 and 16 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Deloitte & Touche corrects the one instance of material noncompliance detailed on page 23 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”).