



## MEMORANDUM

**DATE:** July 11, 2019

**TO:** USAID/M/OAA/CAS/CAM, Branch Chief, David McNeil

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Kenya Red Cross Society Under Multiple Awards, January 1 to December 31, 2016 (Report No. 4-000-19-106-R)

This memorandum transmits the final audit report on Kenya Red Cross Society under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime implementer
Core Group Polio Project (sub award) - closeout	AID-OAA-A-12-00013-CRS-07	Jan. 1 – March 31, 2016	Catholic Relief Services
El Nino Flood Preparedness in Kenya (grant) - closeout	AID-OFDA-G-16-00008	Feb. 1-June 30, 2016	
Reduction of HIV infection among adolescent girls (sub award)	AID.1568-03283-GRT	Jan. 1-Dec. 31 2016	Program for Appropriate Technology in Health (PATH)

Kenya Red Cross Society contracted with the independent certified public accounting firm PKF, 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 a continuing professional education 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 Kenya Red Cross Society 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 Kenya Red Cross Society internal controls; (3) determine whether Kenya Red Cross Society complied with award terms and applicable laws and regulations; and (4) review the implementation status of prior period recommendations.

To answer the audit objectives, PKF (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 Kenya Red Cross Society as incurred from January 1 to December 31, 2016; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Kenya Red Cross Society'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 prior period recommendations. Kenya Red Cross Society reported expenditures of \$847,015 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. No questioned costs were identified. The audit firm reported four significant deficiencies on internal control and five instances of material noncompliance. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/M/OAA/CAS/CAM determine if the recipient addressed the issues noted.

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 July 11, 2019.

To address the issues identified in the report, we recommend that USAID/M/OAA/CAS/CAM:

**Recommendation 1.** Verify that Kenya Red Cross Society corrects the five instances of material noncompliance detailed on pages 30 to 36 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").