



## MEMORANDUM

**DATE:** April 16, 2020

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

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Ananda Marga Universal Relief Team in Kenya Under Multiple Agreements, January 1 to December 31, 2018 (Report No. 4-615-20-006-N)

This memorandum transmits the final audit report of USAID resources managed by Ananda Marga Universal Relief Team (AMURT) in Kenya under the following awards:

| Award Name (Type)   | Award Number       | Period Audited          | Prime Implementer                              |
|---|--------------------|-------------------------|--|
| Inuka Community Based Orphaned and Vulnerable Children Project (cooperative agreement) - closeout | AID-615-A-13-00003 | Jan. 1 – Jun. 28, 2018  |  |
| DREAMS - 37188-1053 (subaward) - closeout   |                    | Jan. 1 – Nov. 30, 2018  | John Snow International<br>S-LMAQM-16-CA-1103  |
| Maternal Newborn Child Health - KESG0339 (subaward)   |                    | Jul. 23 – Dec. 31, 2018 | Pathfinder<br>AID-615-C-16-00002               |
| NILINDE - AMURT-01-2015 (subaward)  |                    | Jan. 1 – Dec. 30, 2018  | Plan International<br>AID-615-A-15-00005       |
| MWENDO - KE.18. SUBAGR.8459 (subaward)  |                    | Apr. 1 – Dec. 31, 2018  | Catholic Relief Services<br>AID-615-A-17-00003 |
| Afya Jijini - KEN-AFYA-SUBG-AMRTU-01 (subaward)   |                    | Aug. 30 – Dec. 31, 2018 | IMA Worldhealth<br>AID-615-C-15-00002          |

USAID/Kenya and East Africa contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC), Nairobi, Kenya, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have continuing professional education and an external peer review that fully satisfied 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 AMURT's fund accountability statement; the effectiveness of its internal control; or its

compliance with the award, laws, and regulations.<sup>1</sup>

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 AMURT's internal controls; (3) determine whether AMURT complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of the 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 AMURT as incurred from January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to AMURT '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) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. AMURT reported expenditures of \$1,885,984 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 identified \$305 in ineligible questioned costs; no material weaknesses in internal control; and one instance of material noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Kenya and East Africa determine the allowability of the \$305 in ineligible questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for one significant deficiency noted in the report, and one instance of material noncompliance related to the \$305 in ineligible value-added taxes, we suggest that USAID/Kenya and East Africa determine if the recipient addressed the issues noted. The audit firm also issued a management letter.

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").

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<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.