



MEMORANDUM

DATE: April 30, 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 Moi Teaching and Referral Hospital in Kenya Under Cooperative Agreement AID-615-A-12-00001, July 1, 2018, to June 30, 2019 (Report No. 4-615-20-064-R)

This memorandum transmits the final audit report on USAID resources managed by Moi Teaching and Referral Hospital (MTRH). MTRH contracted with the independent certified public accounting firm Deloitte and Touché, 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 MTRH'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 MTRH's internal controls; (3) determine whether MTRH complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of prior period recommendations.

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, Deloitte and Touché (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 MTRH as incurred from July 1, 2018, to June 30, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to MTRH'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 prior period recommendations. MTRH reported expenditures of \$21,966,221² 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 except for \$1,346 in ineligible questioned costs; no material weaknesses in internal control; and four instances of material noncompliance. Since the questioned costs identified did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are thus not making a recommendation. Nevertheless, we suggest that USAID/Kenya and East Africa determine the allowability of the \$1,346 in ineligible questioned costs and recover any amount determined to be unallowable. The audit firm issued a 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 April 30, 2020.

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

Recommendation 1. Verify that Moi Teaching and Referral Hospital corrects the four instances of material noncompliance detailed on pages 34 to 41 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”).

² The scope of the audit did not cover costs of \$43,543 incurred by Indiana University in the United States and included in the University's annual audit. Consequently, audited expenditures for this audit are \$21,922,678.