



## MEMORANDUM

**DATE:** June 8, 2020

**TO:** USAID/M/OAA/CAS/CAM, Acting Branch Chief, Eleanor C. Jefferson

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

**SUBJECT:** Financial Audit of USAID Resources Managed by Kenya Red Cross Society Under Multiple Awards, January 1 to December 31, 2018 (Report No. 4-000-20-079-R)

This memorandum transmits the final audit report on USAID resources managed by Kenya Red Cross Society (KRCS) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Response and Early Recovery for Floods Affected Populations in Kenya (grant)	AID-72OFDA18GR00329	Oct. 1 - Dec. 31, 2018	
USAID HIV Service Delivery Support Activity (HSDSA) Cluster I (subaward)	AID-615-17-C-00002	June 15 - Dec. 31, 2018	Program for Appropriate Technology in Health (PATH)
2017 Election Preparedness in Kenya (grant)	AID-OFDA-G-17-00208	Jan. 1 - Jan. 31, 2018	
WASH Drought Response in Kenya (grant) closeout	AID-OFDA-G-17-00089	Jan. 1 - Apr. 4, 2018	
Floods OFDA Support – USAID (grant) closeout	AID-72062318GR00002	May 22 - Nov. 21, 2018	

KRCS contracted with the independent certified public accounting firm PKF, 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 KRCS'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 KRCS's internal controls; (3) determine whether KRCS complied with award terms and applicable laws and regulations; and (4) review the implementation status of the prior period recommendations.

To answer the audit objectives, PKF (1) audited the fund accountability statement for the awards 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 KRCS 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 KRCS'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 the prior period recommendations. KRCS reported expenditures of \$1,021,783 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; no material weaknesses; and four instances of material noncompliance. In addition, 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 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 June 8, 2020.

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 four instances of material noncompliance detailed on pages 26 to 29 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

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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.

Exemption Four, 5 U.S.C. 552(b)(4) (“commercial or financial information obtained from a person that is privileged or confidential”).