



MEMORANDUM

DATE: March 18, 2021

TO: USAID/M/OAA/CAS/CAM, Supervisory Auditor, Eleanor C. Jefferson

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by KPMG East Africa Limited in Multiple Countries Under Cooperative Agreement AID-OAA-A-14-00022, October 1, 2018, to June 30, 2020 (Report No. 4-000-21-045-R)

This memorandum transmits the final audit report on USAID resources managed by KPMG East Africa Limited in Sahel, Horn of Africa, South and Southeast Asia. KPMG East Africa Limited contracted with the independent certified public accounting firm Ernst & Young LLP (EY), 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 KPMG East Africa Limited'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 KPMG East Africa Limited's internal controls; (3) determine whether KPMG East Africa Limited 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, EY (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from

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.

USAID for the period covered by the audit and the costs reported by KPMG East Africa Limited as incurred from October 1, 2018, to June 30, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to KPMG East Africa Limited'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. KPMG East Africa Limited reported expenditures of \$4,494,974 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 \$772 in total ineligible questioned costs; no material weaknesses in internal control; and three instances 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/M/OAA/CAS/CAM determine the allowability of the \$772 in questioned costs and recover any amount determined to be unallowable. In addition, since this is a close-out audit with no ongoing agreements with the recipient, we will not make a formal procedural recommendation for the three material noncompliance instances identified but we suggest that USAID/M/OAA/CAS/CAM determine if the recipient addressed the issues noted.

Accordingly, we are not making any recommendations.

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 March 18, 2021.

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").