



MEMORANDUM

DATE: June 23, 2021

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 Population Services Kenya Under Multiple Awards, January 1, 2019, to April 15, 2020 (Report No. 4-615-21-009-N)

This memorandum transmits the final audit report on USAID resources managed by Population Services Kenya (PSK) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime Implementer
Health Communications and Marketing Project (cooperative agreement) - closeout	AID-615-A-16-00005	Jan. 1, 2019 - Apr. 15, 2020	Population Services Kenya
Afya Halisi (subaward)	AID-615-17-00002	Jan. 1 – Dec. 31, 2019	JHPIEGO
Kenya Tuberculosis Accelerated Response and Care II (subaward)	72061518CA00004	Jan. 1 – Dec. 31, 2019	Center for Health Solutions (CHS) Kenya
Sustaining Health Outcomes Through the Private Sector (subaward)	AID-OOA-A15-00067	Jan. 1 – Dec. 31, 2019	PS International

USAID/Kenya and East Africa contracted with the independent certified public accounting firm Deloitte and Touche, 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 PSK'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 PSK's internal controls; (3) determine whether PSK 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, Deloitte and Touche (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 PSK as incurred from January 1, 2019, to April 15, 2020; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to PSK'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. PSK reported expenditures of \$10,577,561 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 \$10,885 in ineligible questioned costs. The audit firm also identified one significant deficiency 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 for the questioned costs, or the one material noncompliance related to the questioned costs. Nevertheless, we suggest USAID/Kenya and East Africa determine the allowability of the \$10,885 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Kenya and East Africa determine if the recipient addressed the issue 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 June 23, 2021.

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

Recommendation I. Verify that Population Services Kenya corrects the two instances of material noncompliance detailed on pages 35 and 37 of the audit report.

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.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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”).