



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: July 16, 2025

TO: USAID/Kenya and East Africa, Acting Mission Director, Sheila Roquitte

FROM: USAID OIG Africa Regional Office, Audit Director, Ryan Werner /s/

SUBJECT: Financial Audit of USAID Resources Managed by Liverpool Voluntary Care and Treatment Health in Kenya Under Multiple Awards, October 1, 2023, to September 30, 2024 (Report No. 4-615-25-120-R)

This memorandum transmits the final audit report on USAID resources managed by Liverpool Voluntary Care and Treatment (LVCT) Health under the following awards:

| Award Name (Type) | Award Number | Audit Period | Prime Implementer |
|---|-----------------|------------------------------|-------------------|
| Stawisha Pwani Program (cooperative agreement) | 72061521CA00010 | Oct. 1, 2023 – Sep. 30, 2024 | |
| Maximizing Options to Advance Informed Choice (MOSAIC) (subaward) | 720OAA21CA00011 | Oct. 1, 2023 – Sep. 30, 2024 | FHI360 |

LVCT contracted with the independent audit firm Ernst & Young LLP, Nairobi, Kenya to conduct the audit. The audit firm stated that it performed its audit in accordance with International Standards of Auditing in conjunction with generally accepted government auditing standards. However, it did not have an external peer review that fully satisfy the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on LVCT's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate LVCT's internal controls; (3) determine whether LVCT 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.

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, Ernst & Young LLP (1) audited the schedule of expenditures of USAID 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 LVCT as incurred from October 1, 2023, to September 30, 2024; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to LVCT's ability to report financial data consistent with the assertions embodied in each account of the schedule of expenditures of USAID awards; (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 schedule of expenditures of USAID awards; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. LVCT reported expenditures of \$11,889,011 in USAID funds during the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The audit firm identified \$179,026 in total ineligible questioned costs; no material weaknesses in internal control; and one instance of material noncompliance which was previously reported and will not be recommended. 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 issues noted. The audit firm issued a management letter.

During our desk review, we noted one area for improvement which the audit firm should address in future audit reports. We presented this area in a memo to the controller, dated July 16, 2025.

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

Recommendation 1. Determine the allowability of \$171,432 in ineligible questioned costs identified on page 18 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Liverpool Voluntary Care and Treatment Health provides FHI360 with a copy of the findings raised in Ernst & Young's audit report to determine the allowability of \$7,594 in ineligible questioned costs identified on page 18 of the audit report and recover any amount that is unallowable related to the subaward.

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"). In addition, USAID/OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting

requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.