



MEMORANDUM

DATE: September 20, 2018

TO: USAID/Armenia Mission Director, Deborah Grieser

FROM: Regional Inspector General/Frankfurt, James C. Charlifue /s/

SUBJECT: Fund Accountability Statement Audit of USAID Resources Managed by Fuller Center for Housing Armenia, Advanced Rural Development Initiative Project in Armenia, Cooperative Agreement AID-111-A-13-00002, for the Year Ended December 31, 2015 (8-111-18-058-R)

This memorandum transmits the final audit report on the fund accountability statement of USAID resources managed by Fuller Center for Housing Armenia, Advanced Rural Development Initiative Project in Armenia, cooperative agreement AID-111-A-13-00002, for the year ended December 31, 2015. Fuller Center for Housing Armenia contracted with the independent certified public accounting firm Grant Thornton CJSC to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states it performed its audit in accordance with generally accepted government auditing standards except that it did not participate in an external quality control review program and did not have a continuing education program that fully satisfies the standards' requirements. The audit firm says that Armenia does not offer such a review program. With respect to the continuing education program, the audit firm says that they could not satisfy the standards' requirements because they could not fully obtain the U.S. Government auditing related hours. The audit firm is responsible for the

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the auditee's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the year ended December 31, 2015, was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with the award terms and applicable laws and regulations. To answer the audit objectives, the auditors performed the subject financial audit that covered \$769,204 in expenditures for the year ended December 31, 2015.

The audit firm expressed an unmodified opinion on the fund accountability statement and did not identify any question costs. The auditors identified one material internal control weakness related to the controls over sources and uses of funds. The auditors did not identify any material instance of noncompliance with the award terms and applicable laws and regulations.

To address the weakness identified in the report, we recommend that USAID/Armenia do the following:

Recommendation 1: Require Fuller Center for Housing Armenia to implement policies and procedures to ensure maintaining proper sources and uses of funds records, as detailed on page 23 of Grant Thornton CJSC report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended to during the engagement.

The 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").

Enclosed: a/s

² 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.