



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: January 9, 2023

TO: USAID/Armenia Mission Director, John Allelo

FROM: USAID/OIG Middle East and Eastern Europe (ME/EE) Regional Office, Audit Director, David Thomanek /s/

SUBJECT: Audit of the Schedule of Expenditures of Territorial Development Fund of Armenia, Local Governance Reform Project in Armenia, Grant Agreement III-IL-15-0003, January 1 to December 31, 2021 (8-III-23-003-N)

This memorandum transmits the final audit report of the schedule of expenditures of Territorial Development Fund of Armenia, Local Governance Reform project in Armenia, Grant Agreement III-IL-15-0003, from January 1 to December 31, 2021. USAID/Armenia contracted with the independent audit firm Baker Tilly Armenia CJSC to conduct the audit. The audit firm stated that it performed its audit in accordance with the U.S. government auditing standards issued by the Comptroller General of the United States, and USAID Financial Audit Guide for Foreign Organizations. However, it did not have an external quality control review program or a continuing professional education program that fully satisfies the standards' requirements. The audit firm explained that professional organizations in Armenia do not offer such a review program. With regards to the continuing professional education program, the audit firm stated that some auditors involved in the engagement have not fulfilled the continuing professional education requirements related to government auditing. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's schedule of expenditures; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the schedule of expenditures for the period audited 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 audit firm performed the subject financial audit that covered \$1,425,035 from January 1 to December 31, 2021.

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.

The audit firm expressed an unmodified opinion on the schedule of expenditures and did not identify any questioned cost. The audit firm did not identify any material weaknesses in the internal control or any material instances of noncompliance with the award terms and applicable laws and regulations. The audit firm issued a management letter.

The report does not include any recommendations for your action.

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").