



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: June 26, 2023

TO: USAID/Armenia Mission Director, John Allelo

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

SUBJECT: Audit of the Schedule of Expenditures of the American University of Armenia Foundation Under Multiple Awards in Armenia, July 1, 2021, to June 30, 2022 (8-111-23-024-R)

This memorandum transmits the final audit report on the American University of Armenia Foundation costs under the following awards:

Award Name (Type)	Award Number	Period	Sub-implementer
Triangle Park: A Sustainable, Smart Living Lab Project (Sub-award)		July 1, 2021, to June 30, 2022	American University of Armenia Foundation
Najarian Center for Social Entrepreneurship: Enhancing Development and Service to Community (Sub-award)		July 1, 2021, to June 30, 2022	American University of Armenia Foundation
AUA's Media Lab: Promoting Civil Discourse in Armenia (Sub-award)		October 1, 2021, to June 30, 2022	American University of Armenia Foundation

Award Name (Type)	Award Number	Period	Sub-implementer
Mining Policy Dialogue, Mining Data Portal, and Youth Engagement Project (Close-out sub-grant)	N2020/24	July 1, 2021, to December 31, 2021	American University of Armenia Foundation
Support to Control COVID-19 and other Infectious Disease Outbreaks Project (Cooperative agreement)	72011120CA0003	July 1, 2021, to June 30, 2022	n/a

The American University of Armenia Foundation contracted with the independent audit firm Grant Thornton CJSC to conduct the audit. The audit firm stated it performed its audit in accordance with U.S. Government Auditing Standards and USAID Financial Audit Guide for foreign Organizations. However, 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 noted that Armenia does not offer an external quality control review program. With respect to the continuing education program, the audit firm stated 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 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 awards terms, laws, and regulations.¹

The audit objectives were 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 awards terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$1,239,824 from July 1, 2021, to June 30, 2022.

The audit firm concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the awards for the period.

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.

audited. The audit firm identified no questioned costs, no material weaknesses in internal control, and no instances of material noncompliance. However, the audit firm stated that because the auditee did not separately account for unrestricted funds received, they were unable to determine the correct actual indirect cost rate of the auditee in the reporting period. The audit firm also issued a management letter.

During our desk review, we noted areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller, dated June 26, 2023.

To address the issue identified in the report, we recommend that USAID/Armenia:

Recommendation 1. Determine the actual indirect cost rate of the auditee, the allowability of the indirect costs charged to USAID, and recover any unallowable amounts as disclosed on pages 17, 27, and 28 of the audit report, as appropriate.

We ask that you provide written notification of actions planned or taken to reach a 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.