



Office of Inspector General

MEMORANDUM

Date: April 20, 2018

TO: USAID/Management/Office Acquisition and Assistance/Cost, Audit and Support Division, Branch Chief, David A. McNeil

FROM: Acting Director of External Financial Audits, Abdoulaye Gueye /s/

SUBJECT: Title 2 CFR Part 200 Audit of ARC Finance, Ltd. for the Fiscal Year Ended December 31, 2015 (3-000-18-016-T)

This memorandum transmits the final audit report on ARC Finance, Ltd. for the fiscal year Ended December 31, 2015. The audit report was obtained from the Federal Audit Clearinghouse. Cullari Carrico LLC performed the Title 2 U.S. Code of Federal Regulations (CFR) Part 200 audit.

Cullari Carrico LLC states it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ARC Finance Ltd.'s financial statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit's objectives were to: (1) express an opinion on whether the financial statements as of December 31, 2015 were presented fairly, in all material respects; (2) express an opinion on whether the schedule of expenditures of federal awards as required by 2 CFR Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" is fairly stated in all material respects; (3) describe the scope of testing of internal controls and compliance and the results of that testing and not to provide an opinion on its effectiveness; and (4) determine whether ARC Finance, Ltd. complied in all material respects with the types of compliance requirements that could have a direct and material effect on each of its major programs. The schedule of expenditures of federal awards disclosed that ARC Finance Ltd.'s audited expenditures were \$933,832 and comprised solely of the U.S. Agency for International Development's (USAID) awards, for the fiscal year ended December 31, 2015.

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.

Cullari Carrico LLC concluded that ARC Finance, Ltd. had unmodified opinions on the financial statements, the schedule of expenditures of federal awards and the report on compliance for each major program. The auditor reported two findings. Findings 2015-001 and 2015-002 are material weaknesses in internal control over financial reporting and in internal control over compliance. Findings 2015-001 and 2015-002 are instances of noncompliance for each major federal program and in compliance and other matters. Cullari Carrico LLC did not question any costs.

To address the issues identified in the report, we recommend that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division:

Recommendation 1.

Verify that ARC Finance, Ltd. has corrected the material weaknesses in internal control over financial reporting and internal control over compliance detailed on pages 18 through 21 of the audit report.

Recommendation 2.

Verify that ARC Finance, Ltd. has corrected the instances of noncompliance and other matters and for each major program and other matters detailed on pages 18 and through 21 of the audit report.

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

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").

If you have any questions related to this report, please contact Steve Shea, assistant director, at (202) 712-1386 or sshea@usaid.gov.

Attachment: As stated

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