



MEMORANDUM

DATE: July 19, 2018

TO: USAID/Ethiopia, Mission Director, Leslie Reed

FROM: Acting Regional Inspector General/Pretoria, Louis Duncan, Jr. /s/

SUBJECT: Audit of USAID Resources Managed by Aged and Children Pastoralists Association in Ethiopia Under Multiple Agreements, January 1, 2016, to December 31, 2016 (Report No. 4-633-18-091-R)

This memorandum transmits the final audit report on Aged and Children Pastoralists Association (ACPA) under agreements AID-633-A-12-00015 Camel Milk Value Chain development in Somali Region, Ethiopia Project and AID-633-A-12-00014 Pastoralist Areas Resilience Improvement and Market Expansion CFDA No 98.001. ACPA contracted with the independent certified public accounting firm Tesfaye Teferi & Co, Addis Ababa, Ethiopia 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 (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, except that Tesfaye Teferi & Co did not have continuing professional education and external peer review programs that fully satisfied the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ACPA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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 objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate ACPA's internal controls; (3) determine whether ACPA 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.

To answer the audit objectives, Tesfaye Teferi & Co (1) audited the fund accountability statement for the award 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 ACPA as incurred from January 1, 2016, to December 31, 2016 ;(2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ACPA's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (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 fund accountability statement; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. ACPA spent \$ 949,120 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited, except for \$970 ineligible questioned costs and four significant deficiencies in internal controls.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller, dated July 19, 2018.

OIG does not make a recommendation for finding 2 on page 24 of the audit report as questioned costs identified is below \$1,000. However, we encourage the mission to follow up on this item and recover any amount due to USAID.

To address the issues identified in the report, we recommend that USAID/Ethiopia:

Recommendation I. Verify that Aged and Children Pastoralists Association in Ethiopia corrects the four significant deficiencies in internal control detailed on pages 23 to 25 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach 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”).