



*Office of Inspector General*

## **MEMORANDUM**

**DATE:** March 18, 2019

**TO:** USAID/Armenia Mission Director, Deborah Grieser

**FROM:** USAID OIG Middle East/Eastern Europe Regional Office (Frankfurt), USHD NFA Coordinator, Abdoulaye Gueye /s/

**SUBJECT:** Fund Accountability Statement Audit of Enterprise Incubator Foundation “Establishment of Innovative Solutions and Technologies Center” Program in Armenia, Cooperative Agreement AID-111-A-15-00001, For the Year Ended December 31, 2017 (8-111-19-038-R)

This memorandum transmits the final report on the fund accountability statement audit of Enterprise Incubator Foundation, “Establishment of Innovative Solutions and Technologies Center”, Program in Armenia, Cooperative Agreement AID-111-A-15-00001, for the year ended December 31, 2017. The Enterprise Incubator Foundation contracted with the independent certified public accounting firm BDO, Yerevan, Armenia to conduct the audit. 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.<sup>1</sup>

The audit firm stated that 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 satisfy the requirements of chapter 3, paragraph 3.82 and 3.96 of the auditing standards. The audit firm explained that no such program is offered by professional organizations in Armenia. The audit firm is responsible for the enclosed report and the stated conclusions expressed in it.

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency’s role to impose requirements on its implementing partners and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.

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.<sup>2</sup>

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 the Enterprise Incubator Foundation's internal controls; (3) determine whether Enterprise Incubator Foundation complied with award terms and applicable laws and regulations; (4) determine if expenditures reported as incurred under the award are allowable, allocable, and reasonable in accordance with the terms of the award; and (5) determine if Enterprise Incubator Foundation took corrective actions to address prior audit report recommendations. To answer the audit objectives, the audit firm reported that they examined the fund accountability statement and tested relevant balances, tested internal controls related to project activities, and performed tests for compliance. The audit covered \$1,179,393 in expenditures for the year ended December 31, 2017.

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. The auditors did not identify any material internal control weaknesses, or any material instances of noncompliance with the award terms conditions, and applicable laws and regulations and did not identify any questioned costs. The auditors issued a management letter.

The report does not contain any recommendations for your action.

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").

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<sup>2</sup> 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