



MEMORANDUM

DATE: June 27, 2019

TO: USAID/Armenia Mission Director, Deborah Grieser

FROM: USAID OIG Middle East and Eastern Europe Regional Office (ME/EE), USDH
NFA Coordinator, Abdoulaye Gueye /s/

SUBJECT: Financial Audit of Territorial Development Fund of Armenia “Local Governance Reform”, Implementation Letter No. 7 Development Objective, Cooperative Agreement AAG-111-G-13-001, for the Year Ended December 31, 2017 (8-111-19-035-N)

This memorandum transmits the final audit report on Territorial Development Fund of Armenia “Local Governance Reform”, project implementation letter No. 7 Development Objective, cooperative agreement AAG-111-G-13-001, for the year ended December 31, 2017. USAID/Armenia contracted with the independent certified public accounting firm Grant Thornton, Yerevan, Armenia, 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 and USAID OIG Guidelines for Financial Audits Contracted by Foreign Financial Audits Contracted by Foreign Recipients.¹

The audit firm stated that it performed the 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

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency’s role to impose requirements on its implementing partners and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 contract audit, however, was initiated before that date and follows the Guidelines.

requirements of the auditing standards. The audit firm explained that Armenia does not offer the program. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Territorial Development Fund of Armenia's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

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 Territorial Development Fund of Armenia's internal controls; and (3) determine whether Territorial Development Fund of Armenia complied with award terms and applicable laws and regulations; and (4) determine if Territorial Development Fund of Armenia took corrective actions to address prior audit recommendations. To answer the audit objectives, the audit firm performed the subject audit that covered \$2,343,734 for the year ended December 31, 2017.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited and did not identify any questioned costs. The auditors did not identify any material internal control weaknesses or any material instances of noncompliance with the agreement terms, and applicable laws and regulations.

The report does not contain any recommendations.

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").

² 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.