



## MEMORANDUM

**DATE:** July 9, 2019

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

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

**SUBJECT:** Financial Audit of USAID Resources Managed by the Ministry of Health of the Republic of Armenia Under Improving Tuberculosis, Maternal and Child Health, and Family Planning Project, Implementation Letter 30 Under Assistance Agreement AAG-111-G-10-002 for the Year Ended December 31, 2016 (8-111-19-038-N)

This memorandum transmits the final audit report of USAID resources managed by the Ministry of Health of the Republic of Armenia under Improving Tuberculosis, Maternal and Child Health, and Family Planning project, Implementation Letter 30 under Assistance Agreement AAG-111-G-10-002 for the Year Ended December 31, 2016. USAID/Armenia contracted with the independent certified public accounting firm Grant Thornton CJSC to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID Office of Inspector General's Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

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 auditing

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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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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.

standards requirements. The audit firm explained that professional organizations in Armenia do not offer an external quality control review program. With respect to the continuing education program, the audit firm said that 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 Ministry of Health of the republic of Armenia'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 mainly 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 auditee's internal controls; and (3) determine whether the auditee complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted the subject financial audit that covered \$1,273,725 for the year ended December 31, 2016.

The audit firm expressed a qualified opinion on the fund accountability statement and questioned \$80,494 (\$79,924 ineligible, and \$570 unsupported). The audit firm identified one material internal control weakness related to training expenses and one material instance of noncompliance related to incurring salary expenses without obtaining USAID consent.

Since the agreement under audit ended and USAID has no other current awards with the Ministry of Health of the Republic of Armenia, USAID OIG ME/EE Regional Office is not including procedural recommendations regarding the material internal control weakness and noncompliance instance. However, before USAID/Armenia considers other awards to the auditee, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 22 and 26 of Grant Thornton CJSC's report.

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

**Recommendation I.** Determine the allowability, and collect as appropriate, \$80,494 of questioned costs (\$79,924 ineligible, and \$570 unsupported) as detailed on page 19 of Grant Thornton CJSC's report, as well as any amounts determined to be unallowable pertaining to the material internal control weakness as detailed on page 22 of Grant Thornton CJSC's 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").

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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 performed.