



## MEMORANDUM

**DATE:** September 26, 2019

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

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

**SUBJECT:** Audit of the Fund Accountability Statement of Communities Finance Officers Association, Civic Engagement in Local Governance Project in Armenia, Cooperative Agreement AID-111-A-14-00004, for the Year Ended December 31, 2015 (8-111-19-118-R)

This memorandum transmits the final report on the audit of the fund accountability statement of Communities Finance Officers Association, Civic Engagement in Local Governance Project in Armenia, cooperative agreement AID-111-A-14-00004, for the year ended December 31, 2015. The auditee contracted with the independent certified public accounting firm Grant Thornton, Armenia to conduct the audit.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards, except for not participating in an external quality control review program and not having a continuing education program that fully satisfies the standards' requirements. The audit firm explained that Armenia does not offer such a review program. With respect to the continuing education program, the audit firm states that they could not satisfy the standards' requirements because they could not fully obtain the U.S. Government auditing related hours.

The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the auditee's fund accountability statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.<sup>1</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

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<sup>1</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.

terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$548,149, for the Year Ended December 31, 2015.

The auditors expressed a modified opinion on the fund accountability statement and questioned \$304 of ineligible costs. The auditors identified one material instance of noncompliance with the agreement terms, conditions and applicable laws and regulations and one material internal control weakness related to inadequate controls over drivers' vehicle logs. The auditors also questioned \$1,452 of ineligible costs related to cost sharing contribution.

Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Armenia determine the allowability of the fund accountability statement related to the ineligible questioned costs of \$304, and the cost sharing contribution related ineligible questioned costs of \$1,452, and recover any amounts determined to be unallowable. Further, the audit firm issued a management letter.

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

**Recommendation 1:** Require Communities Finance Officers Association to establish and implement policies and procedures ensuring proper control over drivers' vehicle logs, and determine the allowability, and collect as appropriate unallowable related fuel expenses, as detailed on pages 27 and 28 of the audit report.

**Recommendation 2:** Require Communities Finance Officers Association to establish and implement procedures ensuring proper compliance with conflict of interest policies, as detailed on page 31 of the audit report.

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