



MEMORANDUM

DATE: February 1, 2021

TO: USAID/Armenia Acting Mission Director, David Hoffman

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

SUBJECT: Audit of Fund Accountability Statement of Territorial Development Fund of Armenia, Local Governance Reform Program in Armenia, Cooperative Agreement 111-IL-15-0003, January 1 to December 31, 2019 (8-111-21-012-N)

This memorandum transmits the final audit report on the fund accountability statement of Territorial Development Fund of Armenia, Local Governance Program in Armenia, cooperative agreement 111-IL-15-0003, from January 1 to December 31, 2019. USAID/Armenia contracted with the independent certified public accounting firm Grant Thornton CJSC to conduct the audit. The audit firm stated that it performed its audit in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and the USAID Financial Audit Guide for Foreign Organizations. However, it did not have an external quality control review program and 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 said 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 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 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 performed the subject financial audit that covered \$903,864 from January 1 to December 31, 2019.

The auditors expressed an unmodified opinion on the fund accountability statement and did not identify any questioned costs. The audit firm identified one material internal control weakness related to the cost share financial reporting and documentation process, resulting in the audit firm not being able to verify the accuracy and the completeness of the cost sharing schedule. The audit firm also identified one material instance of noncompliance with the agreement terms, conditions and applicable laws and regulations. Further, the audit firm issued a management letter.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated February 1, 2021.

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

Recommendation 1. Verify that Territorial Development Fund of Armenia corrects the material weakness in internal control detailed on page 17 of the audit report and verify the accuracy and completeness of the cost share schedule, as stated in page 23 of the audit report.

Recommendation 2. Verify that Territorial Development Fund of Armenia corrects the material instance of noncompliance, detailed on pages 20 and 21 of the audit report.

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

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").