



MEMORANDUM

DATE: October 27, 2021

TO: USAID/Georgia, Mission Director, Peter Wiebler

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

SUBJECT: Closeout Audit of the Fund Accountability Statement of Caucasus Environmental NGO Network, Waste Management Technology in Regions, Phase II Project in Georgia, Cooperative Agreement AID-114-A-17-00002, March 16, 2017, to March 15, 2020 (8-114-22-002-N)

This memorandum transmits the final closeout audit report on the fund accountability statement of Caucasus Environmental NGO Network, Waste Management Technology in Regions, phase II project in Georgia, cooperative agreement AID-114-A-17-00002, from March 16, 2017, to March 15, 2020. USAID/Georgia contracted with the independent certified public accounting firm Grant Thornton LLC to conduct the audit. The audit firm stated that it performed the audit in accordance with U.S. Government auditing standards and USAID's Financial Audit Guide for Foreign Organizations. However, it did not have an external quality control review program and a continuing education program that fully satisfies the standards' requirements. The audit firm explained that Georgia 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 comply with 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 auditee's fund accountability statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.¹

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

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.

terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$3,393,579, from March 16, 2017, to March 15, 2020.

The audit firm expressed a modified opinion on the fund accountability statement and identified \$100,548 of ineligible questioned costs. The audit firm did not identify any material internal control weaknesses but identified one material instance of noncompliance. Out of the \$100,548 of total questioned costs, the amount of \$74,155 was reported under a previous audit report and was included under recommendation number 1 in the OIG transmittal memo number 8-114-21-017-R dated January 26, 2021. The audit firm said that the amount of \$74,155 was reimbursed by the auditee, resulting in \$26,393 of outstanding questioned costs balance.

In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Georgia determine if the recipient addressed the issues noted. The report included personally identifiable information under the fund accountability statement, indirect cost rate computation and cost sharing schedules.

During our desk review, we noted minor issues which the audit firm would need to address in future audit reports. We presented these issues in a memo to the controller dated October 27, 2021.

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

Recommendation 1. Determine the allowability of \$26,393 in total ineligible questioned costs detailed on page 10 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Caucasus Environmental NGO Network corrects the instance of material noncompliance detailed on page 34 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”).