



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** May 17, 2022

**TO:** USAID/Ethiopia, Mission Director, Sean Jones

**FROM:** USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Amhara Development Association in Ethiopia Under Multiple Awards, July 8, 2020, to July 7, 2021 (Report No. 4-663-22-055-R)

This memorandum transmits the final audit report on USAID resources managed by Amhara Development Association (ADA) under the following awards:

| Award Name (Type)   | Award Number       | Audit Period                 | Prime Implementer                             |
|---|--------------------|------------------------------|---|
| Family Focused HIV Prevention, Care and Treatment Services, (cooperative agreement) | 72066320CA00014    | Aug. 12, 2020 – Jul. 7, 2021 |   |
| Eliminate TB (ETBE) (subagreement)  | 72066320CA00009    | Jul. 8, 2020 – Jul. 7, 2021  | Management Science for Health (MSH) /Ethiopia |
| Reading for Ethiopia's Achievement Developed II (Read II) (subagreement)            | 72066318CA00004    | Jul. 8, 2020 – Jul. 7, 2021  | Creative Associates International/Ethiopia    |
| Targeted Response for Agriculture, Income and Nutrition (TRAIN) (subagreement)      | AID-FFP-A-16-00007 | Jul. 8, 2020 – Jul. 7, 2021  | FH Ethiopia                                   |

ADA contracted with the independent certified public accounting firm Kokeb & Melkamu Audit Partnership, Addis Ababa, Ethiopia, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have continuing professional education and an external peer review that fully satisfied the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ADA's fund accountability statement; the effectiveness of its internal control; or its compliance with

the award, laws, and regulations.<sup>1</sup>

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 ADA's internal controls; (3) determine whether ADA complied with award terms and applicable laws and regulations; (4) review the indirect cost rate; and (5) review the implementation status of the prior period recommendations.

To answer the audit objectives, Kokeb & Melkamu Audit Partnership (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by ADA as incurred from July 8, 2020, to July 7, 2021; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ADA's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of the prior period recommendations. ADA reported expenditures of \$2,468,128 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for two findings included in the report to the fund accountability statement but not identified as internal control or compliance findings. The audit identified no questioned costs; no material weaknesses in internal control; and two instances of material noncompliance. In addition, although we are not making a recommendation for significant deficiencies noted in the report and the two findings in the report to the fund accountability statement, we suggest that USAID/Ethiopia determine if the recipient addressed the issues noted.

During our desk review, we noted several 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 May 17, 2022.

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

**Recommendation 1.** Verify that Amhara Development Association corrects the two instances of material noncompliance detailed on pages 31 and 32 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

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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.

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