



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** January 31, 2023

**TO:** USAID/Armenia, Mission Director, John Allelo

**FROM:** USAID/OIG Middle East and Eastern Europe (ME/EE) Regional Office, Assistant Audit Director, David Clark

**SUBJECT:** Audit of the Schedule of Expenditures of Center for Agribusiness and Rural Development Foundation, Rural Economic Development- New Economic Opportunities Program in Armenia, Cooperative Agreement 72011119CA00001, January 1 to December 31, 2021 (8-111-23-012-R)

This memorandum transmits the final audit report on the schedule of expenditures of Center for Agribusiness and Rural Development Foundation, Rural Economic Development- New Economic Opportunities program in Armenia, cooperative agreement 72011119CA00001, from January 1 to December 31, 2021. The auditee contracted with the independent audit firm Grant Thornton, Armenia to conduct the audit. The audit firm stated that it performed its audit in accordance with Generally Accepted Government Auditing Standards and the USAID Financial Audit Guide for Foreign Organizations. However, it did not have an external quality control review program or a continuing education program that fully satisfies the standards' requirements. The audit firm explained that professional organizations in Armenia do 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 schedule of expenditures; the effectiveness of its internal control; 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 schedule of

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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.

expenditures 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 \$926,814 from January 1 to December 31, 2021.

The auditors noted that except for the effects of \$1,935 of unsupported questioned costs, the schedule of expenditures presents fairly, in all material respects, program revenues, costs incurred and reimbursed, for the audit period in accordance with the terms of the agreement and in conformity with the accounting basis. 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 \$1,935 in questioned costs and recover any amounts determined to be unallowable.

The auditors did not identify any material internal control weaknesses but identified three material instances of noncompliance with applicable laws and regulations. We are making a recommendation that USAID/Armenia address this issue. In addition, although we are not making a recommendation for the two significant deficiencies noted in pages 19 and 20 of the report, we suggest that the mission determines if the recipient addressed the issues noted.

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 January 31, 2023.

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

**Recommendation I.** Verify that Center for Agribusiness and Rural Development Foundation corrects the three material instances of noncompliance, determine the allowability, and recover any related questioned amounts, as detailed on pages 22 to 24 of the audit report.

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