



MEMORANDUM

DATE: January 30, 2019

TO: USAID/Ethiopia, Mission Director, Leslie Reed

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

SUBJECT: Financial Closeout Audit of USAID Resources Managed by Adult and Non Formal Education Association in Ethiopia Under Multiple Awards, January 1, 2017, to February 17, 2018 (Report No. 4-663-19-036-R)

This memorandum transmits the final audit report on USAID resources managed by Adult and Non Formal Education Association in Ethiopia (ANFEAE) under the following awards:

Award Name (Type)	Award Number	Audit Period	Prime implementer
Addressing Reading Through Community Initiatives and Appropriate Reading Materials for Students (ARC-ARMS) (Cooperative Agreement)	AID-663-A-13-00006	Jan 1, 2017, to Feb 17, 2018	
Reading for Ethiopia Achievement Developed Community Outreach Project (READ-CO) (Subagreement)	AID-663-A-15-00003	Jan 1 to Sep 7, 2017	Save the Children International in Ethiopia (SCI)

ANFEAE contracted with the independent certified public accounting firm Tesfaye Teferi Anbesse, Addis Ababa, Ethiopia to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ANFEAE's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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

To answer the audit objectives, Tesfaye Teferi Anbesse (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 ANFEAE as incurred from January 1, 2017, to February 17, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to ANFEAE'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. ANFEAE reported expenditures of \$1,082,882 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. The audit firm also reported two significant deficiencies in internal control and no instances of material noncompliance. One of the significant deficiencies, relating to under-utilization of budget, was repeated from the prior period and addressed by the mission. Similarly, the other identified significant deficiency pertained to a recurring matter – outstanding VAT claims awaiting reimbursement by the Ethiopian Government – that has also been previously raised and addressed by USAID/Ethiopia. Accordingly, we are not making any recommendations.

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 January 30, 2019.

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.

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”).