



## MEMORANDUM

**DATE:** October 16, 2019

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

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Amref Health Africa in Ethiopia Under Cooperative Agreement AID-663-A-17-00006, January 1 to December 31, 2018 (Report No. 4-663-20-001-R)

This memorandum transmits the final audit report on USAID resources managed by Amref Health Africa in Ethiopia under cooperative agreement AID-663-A-17-00006, Transform: Health in Developing Regions Project. Amref Health Africa contracted with the independent certified public accounting firm A.W. Thomas L.P., Addis Ababa, Ethiopia to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards.<sup>1</sup> However, it 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 Amref Health Africa's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</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 Amref Health Africa's internal controls; (3) determine whether Amref Health Africa complied with award terms and applicable laws and regulations; and (4) review the

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function.

<sup>2</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.

implementation status of the prior period recommendations.

To answer the audit objectives, A.W. Thomas L.P. (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 Amref Health Africa as incurred from January 1 to December 31, 2018; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to Amref Health Africa'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; and (4) reviewed the implementation status of the prior period recommendations. Amref Health Africa reported expenditures of \$5,451,467 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 \$107,062 in ineligible questioned costs. In addition, the audit firm identified no material weaknesses in internal control, two significant deficiencies in internal control, and one material instance of noncompliance. Although we are not making a recommendation for the significant deficiencies noted in the report, 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 October 17, 2019.

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

**Recommendation 1.** Determine the allowability of \$107,062 in ineligible questioned costs on pages 12 and 14 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Amref Health Africa corrects the one material instance of noncompliance detailed on page 23 of the audit.

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