



*Office of Inspector General*

## MEMORANDUM

**DATE:** March 24, 2019

**TO:** USAID/North Macedonia Acting Country Representative, Gretchen Birkle

**FROM:** USAID OIG Middle East and Eastern Europe Regional Office, Audit Director, James C. Charlifue /s/

**SUBJECT:** Fund Accountability Statement Closeout Audit of Business Startup Center Bitola, Business Without Borders Project in Macedonia, Cooperative Agreement AID-165-A-00-11-00104, December 28, 2010, to November 7, 2014 (8-165-19-008-N)

This memorandum transmits the final report of the fund accountability statement closeout audit of Business Startup Center Bitola, Business Without Borders Project in Macedonia, cooperative agreement AID-165-A-00-11-00104, December 28, 2010, to November 7, 2014. USAID/Macedonia contracted with the independent certified public accounting firm BDO DOO Skopje to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards, except for not participating in an external quality control review program, and not having a continuing education program that fully satisfy the standards' requirements. The audit firm explained that Macedonia does not offer such a review program. With respect to the continuing education program, the audit firm says that they could not satisfy the standards' requirements because they could not fully obtain the U.S. Government auditing related hours. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it.

We do not express an opinion on the auditee's fund accountability statement; the effectiveness of

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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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

its internal controls; or its compliance with the award, laws, and regulations.<sup>2</sup>

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; (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 \$933,727, for the period from December 28, 2010, to November 7, 2014.

The auditors expressed a modified opinion on the fund accountability statement and questioned \$211,456 (\$4,323 ineligible, and \$207,133 unsupported). The audit firm identified five material internal control weaknesses related to: (1) approving cash transactions, (2) authorizing cash journals, (3) documenting financial transactions, (4) verifying financial records by independent party, and (5) approving all purchases transactions. In addition, they reported one significant deficiency related to consistency using the adopted accounting principles, and one instance of noncompliance with laws, regulations and the agreement terms related to submitting the final SF 425. The auditors also questioned a cost share contribution shortfall of \$30,516.

Since this is a closeout audit and Business Startup Center Bitola has no current awards or subawards with USAID, OIG is not including any procedural recommendations regarding the internal control or the compliance. However, before issuing any new awards to Business Startup Center Bitola, USAID/Macedonia should ensure that adequate policies and procedures are established and implemented to address the internal control weaknesses and material instance of noncompliance, as detailed on pages 23-30 of BDO's report.

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

**Recommendation 1:** Determine the allowability and collect as appropriate, \$211,456 (\$4,323 ineligible, and \$207,133 unsupported), unliquidated advances, and any excess cash, as detailed in pages 23-28 and the transmittal letter of BDO's report.

**Recommendation 2:** Determine the allowability and collect as appropriate, the shortfall amount of \$30,516, as detailed in page 11 of BDO's report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended to the audit staff during the engagement.

The 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").

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<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.