



Office of Inspector General

MEMORANDUM

DATE: December 23, 2020

TO: USAID/Bosnia and Herzegovina Mission Director, Nancy J. Eslick

FROM: USAID/OIG Middle East and Eastern Europe (ME/EE) Regional Office, USDH NFA Coordinator, John Vernon /s/

SUBJECT: Audit of USAID/Bosnia and Herzegovina Local Currency Trust Fund Under Bosnian Reconstruction Finance Facility Program, Grant Agreement I68L-601, and Municipal Infrastructure and Services Program, Grant Agreement I68L-602, June 1, 2015 to May 31, 2019 (8-I68-21-008-N)

This memorandum transmits the final audit report on the fund accountability statement of USAID/Bosnia and Herzegovina Local Currency Trust Fund, under Bosnian Reconstruction Finance Facility program, grant agreement I68L-601, and Municipal Infrastructure and Services program, grant agreement I68L-602, from June 1, 2015 to May 31, 2019. USAID/Bosnia and Herzegovina contracted with the independent certified public accounting firm RSM BH d.o.o to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. However, it did not have an external quality control review program and a continuing education program that fully satisfies the standards' requirements. The audit firm explained that Bosnia and Herzegovina 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 obtain 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 fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

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 related to the trust fund management; and (3) determine whether the auditee complied with the trust fund agreements, memoranda of understanding applicable

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.

terms, relevant ADS 627, the mission order and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$9,465,654² for the period June 1, 2015, to May 31, 2019.

The auditors expressed an unmodified opinion on the fund accountability statement and did not identify any questioned costs. The audit firm did not identify any material internal control weaknesses but identified two material noncompliance instances. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Bosnia and Herzegovina address the issues noted. Further, the audit firm issued a management letter.

During our desk review, we noted one minor issue which the audit firm will need to address in future audit reports. We presented this issue in a letter to the controller dated December 23, 2020.

To address the issues identified in the report, we recommend that USAID/Bosnia and Herzegovina:

Recommendation 1: Corrects the two instances of material noncompliance detailed on pages 25 and 26 of the audit report.

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

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").

² The fund accountability statement presents expenditures in Euro. The dollar amount is presented here using an average exchange rate from Euro to U.S. dollars during the audited period.