



MEMORANDUM

DATE: July 30, 2019

TO: USAID/Macedonia, Acting Country Representative, Nancy Godfrey

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

SUBJECT: Financial Audit of the Cost Representation Statement of CARANA Corporation,
Under the Macedonia Small Business Expansion Project in Macedonia, Contract
AID-165-C-12-00101, January 1, 2016, to January 31, 2017 (8-165-19-102-R)

This memorandum transmits the final report on the financial audit of the cost representation statement of CARANA Corporation, under the Macedonia Small Business Expansion project in Macedonia, contract AID-165-C-12-00101, for the period from January 1, 2016, to January 31, 2017. The CARANA Corporation contracted with the independent certified public accounting firm BDO DOO Skopje to conduct the audit.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards, except for not fulfilling the continuing professional education requirements and not participating in an external quality control review, since no such program is offered by professional organizations in Macedonia. The audit firm states that they participate in the BDO International worldwide internal quality control review program which requires their firm to be subjected, at least every three years, to an extensive quality control review by partners and managers from other affiliate offices and external quality review performed by Institute of Certified Auditors of Macedonia. 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 report and the conclusions expressed in it. We do not express an

opinion on CARANA's cost representation 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 CARANA's cost representation statement for the period are allowable, reasonable and allocable to the contract; (2) evaluate the CARANA's internal controls; (3) determine whether CARANA complied with award terms and applicable laws and regulations including compliance with prohibition on paying value added tax (VAT) with USAID funds and Executive Order 13224; and (4) determine whether CARANA correctly charged indirect costs to USAID using an authorized provisional or final indirect cost rate. To answer the audit objectives, the audit firm performed the subject audit that covered \$827,216 for the period from January 1 2016, to January 31, 2017.

The audit firm concluded that the cost representation statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited and did not identify any questioned costs. The audit firm did not identify any material weaknesses or significant deficiencies in internal control and any material instance of noncompliance.

The report does not contain any recommendation for your action.

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").

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.