



## MEMORANDUM

**DATE:** July 17, 2019

**TO:** USAID/Albania Country Representative, Mikaela Meredith

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

**SUBJECT:** Audit of the Fund Accountability Statement of SHUKALB, Under the Program for Sustainable Water Sector Capacity Development in Albania, Cooperative Agreement AID-182-A-14-00001, January 1 to December 31, 2016 (8-182-19-091-R)

This memorandum transmits the final audit report of the Fund Accountability Statement of SHUKALB under the Program for Sustainable Water Sector Capacity Development in Albania, Cooperative Agreement AID-182-A-14-00001, January 1 to December 31, 2016. SHUKALB contracted with the independent certified public accounting firm Baker Tilly Albania to conduct the audit.

The audit firm stated that it performed the audit in accordance with generally accepted government auditing standards except that it did not participate in an external quality control review program and did not have a continuing education program that fully satisfy the standards requirements. The audit firm explained that professional organizations in Albania do not offer an external quality control review program. With respect to the continuing education program, the audit firm said that 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 SHUKALB's fund accountability statement; the effectiveness of its

internal control; or its compliance with the award, laws, and regulations.<sup>1</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; and (3) determine whether the auditee complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted the subject financial audit that covered \$305,706 for the year ended December 31, 2016.

The audit firm expressed a qualified opinion on the fund accountability statement and questioned \$275 of unsupported costs. The audit firm did not identify any material internal control weaknesses but identified one material instance of noncompliance related to inadequate documentation of the in-kind cost share contributions for volunteer services provided by the Project Director resulting in \$15,750 of unsupported cost share contributions.

Since the agreement under audit ended and USAID has no other current awards with the SHUKALB, USAID OIG ME/EE Regional Office is not including a procedural recommendation regarding the material instance of noncompliance. However, before USAID/Albania considers other awards to the auditee, it should ensure that adequate policies and procedures are implemented to address this finding, as detailed on pages 26 and 27 of Baker Tilly Albania's report. Further, since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Albania determine the allowability of the \$275 of unsupported questioned costs reflected in the fund accountability statement and the \$15,750 of unsupported questioned costs reflected in the cost share schedule and recover any amount determined to be unallowable. The audit firm issued a management letter.

The report does not contain any recommendations for your action.

We appreciate the assistance extended to the audit staff 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")

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<sup>1</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.