



MEMORANDUM

DATE: October 24, 2019

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

FROM: USAID/OIG Middle East and Eastern Europe (M/EE) Regional Office, Audit Director, David Thomanek /s/

SUBJECT: Financial Audit of USAID Resources Managed by Brams d.o.o. for the USAID Alliance for Agribusiness Development, Grant Agreement AID-168-G-15-00001, May 18, 2015, to December 31, 2015 (8-168-20-012-R)

This memorandum transmits the final audit report on USAID resources managed by Brams d.o.o. for costs incurred under grant agreement AID-168-G-15-00001, Agribusiness Development, USAID Project. Brams d.o.o. contracted with the independent certified public accounting firm of RSM to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not meet training requirements covering audit of government organizations and it did not have an external peer review because such programs are not offered in Bosnia and Herzegovina. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Brams d.o.o.'s fund accountability 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 fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate Brams d.o.o.'s internal controls; (3) determine whether Brams d.o.o. complied with award terms and applicable laws and regulations and (4) determine whether cost-sharing/counterpart contributions were provided and accounted for by Brams d.o.o. in accordance with the terms of the agreements. To answer the audit objectives, RSM (1) reviewed the costs billed to and reimbursed by USAID and the costs incurred but pending reimbursement for the period covering May 2015, to December 31, 2015; (2) identified the award terms and pertinent laws

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.

and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; and (3) determined if the cost sharing funds and technical assistance, as applicable, were provided according to the terms of the agreement. Brams d.o.o. reported expenditures of \$367,556 in USAID funds during the audited period.

The audit firm concluded that it could not obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the period audited. The audit firm identified significant questioned costs totaling \$272, 885(\$241 ineligible and \$272,644 unsupported); two material weaknesses in internal control for not having policies and procedures in place to substantiate costs of operations; and two instances of material noncompliance. Because this award has ended and USAID has no current awards with Brams d.o.o. we are not making any recommendations to address the internal control and compliance findings. RSM as well issued a separate management letter to Brams d.o.o. identifying several areas in internal control and compliance that Brams d.o.o. could improve on.

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

Recommendation 1. Determine the allowability of \$272, 885 in questioned costs (\$241 ineligible and \$272,644 unsupported) on pages 10 and 14 of the audit report and recover any amount that is unallowable.

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").