



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 29, 2024

TO: USAID/Bosnia and Herzegovina Mission Director, Courtney Chubb

FROM: Middle East and Eastern Europe (ME/EE) Regional Office, David Clark /s/

SUBJECT: Financial Audit of the Schedule of Expenditures for Multiple USAID Awards in Bosnia and Herzegovina Managed by the Institute for Youth Development, January 1 to December 31, 2022 (8-168-24-013-R)

This memorandum transmits the final audit report on the following USAID awards in Bosnia and Herzegovina (BiH) managed by the Institute for Youth Development (KULT):

Award Name (Type)	Award Number	Period
Marginalized Populations Support Activity in BiH (Contract)	AID-168-I-15-00001	January 1, 2022 – February 18, 2022 (close-out)
Human Rights Activity in BiH (Contract)	72016820C00002	January 1, 2022 – December 31, 2022)
Localworks Capacity Development Activity in BiH (Cooperative Agreement)	7201680CA00004	January 1, 2022 – December 31, 2022
USAID/Pro-Future II Activity (Subaward)	-	January 1, 2022 – November 30, 2022 (close-out)

KULT contracted with the independent audit firm KPMG BiH, to conduct the audit. The audit firm stated it performed its audit in accordance with U.S. Generally Accepted Auditing Standards, Generally Accepted Government Auditing Standards issued by the U.S. Comptroller General, and the USAID Financial Audit Guide for Foreign Organizations. However, it did not have an external quality control review program or a continuing education program that fully satisfies the standards' requirements. The audit firm explained that professional organizations in Bosnia and Herzegovina do not offer such a quality control review program. With respect to the continuing professional education program, the audit firm said that they could not satisfy the standards' requirements because they could not fully comply with the U.S. Government-related training hours. The audit firm is responsible for the

enclosed report and the conclusions expressed in it. We do not express an opinion on the recipient's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate KULT's internal controls for the projects audited; and (3) determine whether KULT complied with awards terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted a financial audit that covered costs of \$1,779,375 for the audited period.

The audit firm concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, project revenues and costs incurred during the audited period. However, it identified ineligible questioned costs of \$23,439. The audit firm did not identify any material internal control weaknesses or material instances of noncompliance, however, it identified a significant deficiency in the recipient's internal control system. Since the questioned costs did not meet OIG's established threshold of \$25,000 for making a recommendation, and we also do not make recommendations for identified significant deficiencies, we are not raising recommendations regarding these issues. Nevertheless, we suggest that USAID/BiH follow-up on these issues to determine the allowability of the reported ineligible costs of \$23,439, recover any amount established to be unallowable, and determine if KULT had addressed the significant deficiency noted.

During our desk review, we noted an area for improvement that the audit firm will need to address in its future audit reports. We presented the deficiency in a memorandum to the mission controller dated February 29, 2024.

The report does not include any recommendations for your action.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify items that need clarification or issues that require management attention. Desk reviews are limited to review of the audit report itself and exclude review of the auditor's supporting workpapers; they are not designed to enable us to directly evaluate the quality of the audit performed.

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.