



Office of Inspector General

MEMORANDUM

DATE: January 29, 2025

TO: USAID/Bosnia and Herzegovina, Mission Director, Emily Kronic

FROM: Middle East and Eastern Europe Regional Office, Audit Director, Louis Duncan, Jr. /s/

SUBJECT: Audit of USAID/Bosnia and Herzegovina Local Currency Trust Fund Under Bosnian Reconstruction Finance Facility Program, Grant Agreement 168L-601, and Municipal Infrastructure and Services Program, Grant Agreement 168L-602, January 1, 2022, to December 31, 2023 (8-168-25-007-N)

This memorandum transmits the final audit report of USAID/Bosnia and Herzegovina (USAID/BiH) Local Currency Trust Fund (LCTF), under Bosnian Reconstruction Finance Facility program, grant agreement 168L-601, and Municipal Infrastructure and Services program, grant agreement 168L-602, from January 1, 2022, to December 31, 2023. USAID/BiH contracted with the independent accounting firm BDO Sarajevo 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 external quality control review or continuing education programs that fully satisfies the standards' requirements. The audit firm explained that professional organizations in BiH do not offer such a review program. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on USAID/BiH LCTF's statement of income and expenditures; the effectiveness of its internal control; or its compliance with the LCTF agreements and memorandum of understanding (MOUs) applicable terms, USAID Automated Directives System (ADS) 634, 627, Mission Order, and applicable laws and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the LCTF statement of income and expenditures for the period audited, was presented fairly, in all material respects; (2) evaluate the USAID/BiH's internal controls over the LCTF management; and (3) determine whether the auditee complied with the LCTF agreements, MOUs applicable terms, USAID ADSs 621, 627, 630, mission order, and applicable laws and regulations. To answer the audit

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.

objectives, the audit firm performed the subject financial audit that covered \$3,382,027² for the period from January 1, 2022, to December 31, 2023.

The audit firm concluded that USAID/BiH LCTF statement of income and expenditures presented fairly, in all material respects, program revenues and costs incurred for the period audited. The audit firm did not identify any questioned costs; any material weaknesses in internal control; or any material instances of noncompliance with the LCTF agreement, MOUs applicable terms, USAID ADSs 621, 627, 630, mission order, and applicable laws and regulations. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/BiH address the issues noted. Further, the audit firm issued a management letter.

During our desk review, we noted areas for improvement which the audit firm will need to address in future audit reports. We presented these issues in a letter to the controller dated January 29, 2025.

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.³

² The statement of income and expenditures 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.

³ The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oinotice_ndaa5274@usaid.gov