



## MEMORANDUM

**DATE:** January 9, 2019

**TO:** USAID/El Salvador Acting Mission Director, David Gosney

**FROM:** USAID OIG Latin America and Caribbean (LAC) Regional Office, Assistant Director, Brad Moore /s/

**SUBJECT:** Financial Audit of Fundación Crisálida Internacional's Management of the Youth and Community Development Program in El Salvador, Guatemala, and Honduras, Cooperative Agreement AID-596-A-13-00001, January 1 to December 31, 2017 (I-596-19-021-R)

This memorandum transmits the final audit report on Youth and Community Development Program in El Salvador, Guatemala, and Honduras. The Fundación Crisálida Internacional contracted with the independent certified public accounting firm BDO Figueroa Jiménez & Co., S.A. to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

The audit firm states that it performed the audit in accordance with generally accepted government auditing standards except that the audit firm did not have a continuing education program and an external peer review that fully complies with GAGAS requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Fundación Crisálida Internacional's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations<sup>2</sup>.

The audit objectives were to (1) express an opinion on whether the fund accountability

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, follows the Guidelines.

<sup>2</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.

statement for the period audited, was presented fairly, in all material respects; (2) evaluate the Fundación Crisálida Internacional's internal controls; (3) determine whether Fundación Crisálida Internacional complied with award terms and applicable laws and regulations; (4) determine if Fundación Crisálida Internacional has taken adequate corrective action on prior audit report recommendations; (5) perform an audit of the indirect cost rate; and (6) express an opinion on the general purpose financial statements. To answer the audit objectives, the audit firm reported that they assessed and tested the internal controls related to the project; compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures . The audit covered \$2,191,098 in USAID funds for the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$2,355 in ineligible questioned costs. The ineligible questioned costs were related to penalty fees paid with USAID funds.

The audit firm did not identify any material internal control weaknesses.

The audit firm identified one instance of material noncompliance related to the questioned costs discussed above.

Additionally, the audit firm determined that the recipient has taken adequate corrective actions on prior audit report recommendations.

To address the issues identified in the report, we recommend that USAID/EI Salvador:

**Recommendation 1.** Determine the allowability of \$2,355 in ineligible questioned costs on page 12 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Fundación Crisálida Internacional corrects the one instance of material noncompliance detailed on page 29 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a 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").