



MEMORANDUM

DATE: July 31, 2019

TO: USAID/Honduras Mission Director, Fernando Cossich

FROM: Latin America and Caribbean (LAC) Regional Office, Acting Assistant Director, Alicia T. Pegues /s/

SUBJECT: Financial Audit of the Global Development Alliance with FUNADEH Program in Honduras Managed by the National Foundation for the Development of Honduras, Cooperative Agreement AID-522-A-15-00002, July 31, 2015, to December 31, 2016 (9-522-19-036-R)

This memorandum transmits the final audit report on the National Foundation for the Development of Honduras (FUNADEH). FUNADEH contracted with the independent certified public accounting firm PKF - Tovar López & Co. to conduct the audit. The audit firm stated that 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.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have an external peer review because such program is not offered in Honduras. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on FUNADEH's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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.

² 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.

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 FUNADEH's internal controls; and (3) determine whether FUNADEH complied with award terms and applicable laws and regulations. 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 \$1,348,113 of 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 \$37,651 in total questioned costs (\$8,684 ineligible and \$28,967 unsupported). The ineligible questioned costs were related to: (1) lack of proper authorizations for payments totaling \$6,556 and (2) travel expenses totaling \$2,128. The unsupported questioned costs were related to: (1) \$3,093 in travel expenses without an authorization note and (2) \$25,874 in purchases without the required quotations.

The audit firm did not identify any material weaknesses in internal control. The audit firm identified two instances of material noncompliance related to (1) advances received from USAID not placed in an interest-bearing account, and (2) ineligible travel expenses detailed in the questioned costs mentioned above.

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

Recommendation 1. Determine the allowability of \$37,651 in questioned costs (\$8,684 ineligible and \$28,967 unsupported) on page 20 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that FUNADEH corrects the instances of material noncompliance detailed on page 52 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").