



MEMORANDUM

DATE: October 16, 2020

TO: USAID/Paraguay Mission Director, Evelyn Rodriguez-Perez

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, Senior Auditor, John Vernon /s/

SUBJECT: Financial Audit of the Inclusive Value Chains for Rural Development Program in Paraguay Managed by Federación de Cooperativas de Producción LTDA. Cooperative Agreement AID-526-A-13-00002, January 1 to December 31, 2019 (9-526-21-001-R)

This memorandum transmits the final audit report on the Inclusive Value Chains for Rural Development program. Federación de Cooperativas de Producción LTDA. (FECOPROD) contracted with the independent certified public accounting firm Ernst & Young Paraguay 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 have a continuing education program that fully complies with GAGAS requirements and an external peer review because such program is not offered in Paraguay. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on FECOPROD'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 FECOPROD's internal controls; (3) determine whether FECOPROD complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by FECOPROD in accordance with the terms of the agreement; and (5) determine if FECOPROD has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, the audit firm reported that they assessed

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 tested the internal controls related to the project; compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$1,121,962 of USAID expenditures 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 \$121 in ineligible questioned costs. The questioned costs were related to an asset that did not meet the objectives set forth in the business plan. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Paraguay determine the allowability of the \$121 in questioned costs and recover any amount determined to be unallowable.

The audit firm identified one material weaknesses in internal control and one instance of material noncompliance related to the questioned costs described above. Although we are not making a recommendation for the internal control and compliance deficiencies noted in the report, we suggest that USAID/Paraguay determines if the recipient addressed the issues noted. The audit firm issued a management letter which included one minor internal control deficiency.

The audit firm stated that based on their review, nothing came to their attention that caused them to believe that FECOPROD did not fairly present the Cost Sharing Contributions Schedule, in all material respects, in accordance with the basis of accounting used to prepare the Cost Sharing Contributions Schedule.

Based on the results of the desk review, OIG is not making any recommendation to USAID/Paraguay.

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").