



MEMORANDUM

DATE: October 27, 2020

TO: USAID/Eastern and Southern Caribbean Country Representative, Clinton White

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

SUBJECT: Financial Audit of the Water Resource Management and Flood Resilience Climate Change Adaptation Program Managed by Government of Barbados' Ministry of Environment & National Beautification, Grant 538-G2G-GCC-2013, November 8, 2013, to March 31, 2017 (9-538-21-005-R)

This memorandum transmits the final audit report on the Water Resource Management and Flood Resilience Climate Change Adaptation Program. The Government of Barbados' Ministry of Environment & National Beautification (Government of Barbados) contracted with the independent certified public accounting firm KPMG Barbados and Eastern Caribbean to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹ The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Government of Barbados' fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

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 Government of Barbados' internal controls; (3) determine whether Government of Barbados complied with award terms and applicable laws and regulations; and (4) determine if cost-

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

sharing contributions were made and accounted for by Government of Barbados in accordance with the terms of the agreement. 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 \$1,852,051 of USAID expenditures.

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. However, the audit firm identified ineligible questioned costs in the fund accountability statement totaling \$24,021. The audit firm confirmed that USAID deducted \$18,372 in ineligible questioned costs from the total reimbursement. 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/Eastern and Southern Caribbean determine the allowability of the \$5,649 in questioned costs and recover any amount determined to be unallowable.

The audit firm did not identify any material weaknesses in internal control or instances of material noncompliance with applicable laws, regulations, and agreement terms. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Eastern and Southern Caribbean determine if the recipient addressed the issues noted. The audit firm issued a management letter which included minor internal control deficiencies.

The audit firm stated that based on their review, nothing came to their attention that caused them to believe that Government of Barbados did not fairly present the cost sharing/counterpart contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing/counterpart contributions schedule.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated October 27, 2020.

Based on the results of the desk review, OIG is not making any recommendation to USAID/Eastern and Southern Caribbean.

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").