



MEMORANDUM

DATE: December 10, 2020

TO: USAID/Honduras, Mission Director, Fernando Cossich

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

SUBJECT: Financial Audit of the Alianza Para El Corredor Seco Activity in Honduras, Managed by the Millennium Challenge Account, Assistance Agreements 522-0470 and 522-0502, January 1 to December 31, 2019 (9-522-21-013-R)

This memorandum transmits the final audit report on the Alianza Para El Corredor Seco activity managed by the Millennium Challenge Account in Honduras (MCA-H INVEST-H). Tribunal Superior de Cuentas (TSC) signed an agreement with the U.S. Agency for International Development (USAID) and the Secretariat of Finance with the purpose of performing audits of programs funded with USAID resources in Honduras. TSC 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 Honduras. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on (MCA-H INVEST-H)'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 (MCA-H INVEST-H)'s internal controls; (3) determine whether (MCA-H INVEST-H) complied with award terms and applicable laws and regulations; (4) determine if counterpart contributions were made and accounted for by (MCA-H INVEST-H) in accordance with the terms of the agreements; and (5) determine if (MCA-H INVEST-H) has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, 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.

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 \$9,252,636 of USAID expenditures for the audited period.

TSC 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 \$1,993 in total questioned costs (\$223 ineligible and \$1,770 unsupported). 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/Honduras determine the allowability of the \$1,993 in questioned costs and recover any amount determined to be unallowable.

TSC did not identify any material weaknesses in internal control. TSC identified two instances of material noncompliance related to the questioned costs discussed above. Although we are not making a recommendation for the instances of material noncompliance noted in the report, we suggest that USAID/Honduras determine if the recipient addressed the issues noted.

TSC stated that based on their review, nothing came to their attention that caused them to believe that (MCA-H INVEST-H) 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/Honduras.

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").