



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: February 17, 2023

TO: USAID/Honduras Mission Director, Janina Jaruzelski

FROM: Latin America and Caribbean (LAC) Regional Office, through Global and Strategic Audits Division (GSAD) Assistant Director, Pamela Hamilton /s/

SUBJECT: Financial Audit of the Dry Corridor Activity in Honduras, Managed by the Millennium Challenge Account, Grant Agreement 522-0502, January 1 to December 31, 2021 (9-522-23-011-R)

This memorandum transmits the final audit report on the Dry Corridor 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. TSC is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-H INVEST-H's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards 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 cost-sharing contributions were made and accounted for by MCA-H INVEST-H in accordance with the terms of the agreement; and (5) determine if MCA-H INVEST-H has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, TSC reported that they assessed and tested the internal controls related to the project; assessed and tested

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.

compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$1,417,084 of USAID expenditures for the audited period.

TSC concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$31,173 in total questioned costs (\$1,478 ineligible and \$ 29,695 unsupported). The questioned costs were related to: (1) taxes paid with grant funds totaling \$1,478; (2) payments made for consulting services without a contract totaling \$6,307; and (3) inventory control weaknesses totaling \$23,388; specifically: (a) assets of \$13,035 included in the inventory that were not found during the physical inspection; and (b) assets included in the inventory of the previous audit of \$10,353 that were neither included in the inventory of the current audit nor physically found. However, TSC reported that corrective actions have been taken to address the second finding totaling \$6,307. Additionally, TSC stated that the third finding has been partially resolved; TSC confirmed that they verified the existence of assets totaling \$17,379 and the remaining assets totaling \$6,009 were not found during the physical inspection. As a result, the questioned costs not resolved were \$7,487 (\$1,478 ineligible and \$6,009 unsupported). Since the final 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 \$7,487 in questioned costs and recover any amount determined to be unallowable.

TSC did not identify any material weaknesses in internal control. TSC identified three instances of material noncompliance with applicable laws, regulations, and agreement terms related to: (1) taxes paid with grant funds totaling \$1,478, (2) expenses totaling \$6,307 not properly documented, and (3) inventory control weaknesses totaling \$23,388. Since TSC reported that corrective actions have been taken to address the second instance of material noncompliance for expenses totaling \$6,307, we are not making a recommendation for it.

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.

Additionally, TSC stated that the recipient has not taken adequate corrective action to address all of the prior audit report recommendations.

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

Recommendation 1. Verify that MCA-H INVEST-H corrects the two instances of material noncompliance detailed on pages 25 to 26 and pages 28-30 of the audit report.

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

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”).