



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: March 22, 2024

TO: USAID/Honduras, Mission Director, Kenneth MacLean

FROM: Latin America and Caribbean (LAC) Regional Office, Audit Director, Hannah Maloney /s/

SUBJECT: Financial Audit of Dirección de Infraestructura Mayor of FHIS/SEDECOAS Under Multiple Awards in Honduras, January 1 to December 31, 2022 (9-522-24-011-R)

This memorandum transmits the final audit report on Dirección de Infraestructura Mayor (DIM) of FHIS/SEDECOAS (DIM-FHIS/SEDECOAS) under the following awards:

Award Name	Award Number (Type)	Period
Infrastructure Program for Citizen Security (ICS)	522-0501 (Grant Agreement)	January 1 to December 31, 2022
Pilot Infrastructure Activity Program in Western Honduras (PIOH)	522-0502 (Grant Agreement)	January 1 to December 31, 2022

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 projects funded with USAID resources. TSC stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external peer review or a continuing professional education program that fully satisfy the standards' requirements. TSC is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DIM-FHIS/SEDECOAS' 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 DIM-FHIS/SEDECOAS's internal controls; (3) determine whether DIM-FHIS/SEDECOAS complied with award terms and applicable laws and regulations; and (4)

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.

determine if cost-sharing contributions were made and accounted for by DIM-FHIS/SEDECOAS in accordance with the terms of the agreement. To answer the audit objectives, TSC reported that they assessed and tested the internal controls related to the project; assessed and tested compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$2,910,079 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 \$941 in total unsupported questioned costs. 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 \$941 in questioned costs and recover any amount determined to be unallowable.

TSC identified one significant deficiency in internal control and one instance of material noncompliance related to the questioned costs detailed above. Although we are not making a recommendation for the significant deficiency and the instance of material noncompliance noted in the report, we suggest that USAID/Honduras determine if the recipient addressed the issues noted. TSC issued a management letter which included a minor internal control deficiency.

TSC stated that based on their review, nothing came to their attention that caused them to believe that DIM-FHIS/SEDECOAS 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.

During our desk review, we noted two areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller, dated March 22, 2024.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.