



MEMORANDUM

DATE: September 27, 2018

TO: USAID/Paraguay Acting Mission Director, Laura McKechnie

FROM: Regional Inspector General/San Salvador, Assistant Director, Brad Moore /s/

SUBJECT: Closeout Audit of the Improved Water System for Vulnerable Populations Project Managed by Fundación Moises Bertoni, Cooperative Agreement No. AID-526-A-14-00002, August 1, 2014, to February 28, 2018 (I-526-18-039-R)

This memorandum transmits the final audit report on the Improved Water System for Vulnerable Populations Project. Fundación Moises Bertoni (FMB) contracted with the independent certified public accounting firm Ernst & Young Paraguay to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients¹

The audit firm states that it performed the audit in accordance with generally accepted government auditing standards except that the audit firm did not have a continuing education program and an external peer review that fully complies with GAGAS requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on FMB's 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 the FMB's internal controls; (3) determine whether FMB complied with award terms and applicable

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by FMB in accordance with the agreement terms; and (5) determine if FMB has taken adequate corrective action on prior audit recommendations. 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 \$786,333 in USAID funds for the period ended February 28, 2018.

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 reported that there was an outstanding fund balance of \$100 as of the end of the audit period, which had not been refunded to USAID. Although we are not making a formal recommendation for the \$100 in ineligible questioned costs because the amount is below our threshold, USAID/Paraguay should review the unsupported questioned costs of \$100 identified in the audit report and recover from the recipient the amounts determined to be unallowable.

The audit firm did not identify any material internal control weaknesses or instances of noncompliance with applicable laws, regulations, and agreement terms.

The audit firm determined that cost sharing contributions were made and accounted for by FMB in accordance with the agreement terms. Additionally, the audit firm determined that the recipient has taken adequate corrective actions on prior audit report recommendations.

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

We appreciate the assistance extended during the engagement.

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").