



MEMORANDUM

DATE: October 31, 2018

TO: USAID/El Salvador Mission Director, Peter Natiello

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

SUBJECT: Closeout Audit of Adopt a School and SolucionES, Cooperative Agreements 519-A-11-00001 and AID-519-A-12-00003 Respectively, Managed by Fundación Empresarial Para el Desarrollo Educativo, January 1 to October 31, 2017 (1-519-19-003-R)

This memorandum transmits the final audit report on the programs Adopt a School and SolucionES. Fundación Empresarial Para el Desarrollo Educativo (FEPADE) contracted with the independent certified public accounting firm BDO Figueroa Jiménez & Co. to conduct the audit. 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 Recipients.¹

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 FEPADE'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

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

FEPADE's internal controls; (3) determine whether FEPADE complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by FEPADE in accordance with the agreement terms; (5) determine if FEPADE has taken adequate corrective action on prior audit report recommendations; (6) perform an audit of the indirect cost rate; and (7) express an opinion on the general purpose financial statements. 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 \$3,683,598 in USAID expenditures for the audited period.

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.

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 FEPADE in accordance with the agreement terms. Additionally, the audit firm determined that the recipient has taken adequate corrective actions on prior audit report recommendations. The audit firm concluded the financial statements presented fairly, in all material respects, the financial position of Fundación Empresarial para el Desarrollo Educativo - FEPADE as of December 31, 2017 and 2016.

Additionally, in note 6 to the fund accountability statement, the auditors included a list of the project's non-expendable items; however, they stated that the final disposition of these assets is pending. We are not making a formal recommendation on this issue, but we ask that the Agreement Officer review this issue as part of the closeout process.

Furthermore, we noted in our review of the indirect cost rate schedule that the indirect cost rate was not calculated correctly. We will include a recommendation regarding this issue.

To address the issue identified in the report, we recommend that USAID/El Salvador:

Recommendation 1. Verify that FEPADE corrects the indirect cost rate schedule detailed on page 53 of the audit report and confirm if the cumulative indirect costs charged to the program on page 18 of the audit report are correct.

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