



MEMORANDUM

DATE: November 5, 2018

TO: USAID/Honduras Mission Director, Fernando Cossich

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

SUBJECT: Closeout Audit of the Community-Led Infrastructure Program of the Mérida Initiative and the Central America Regional Security Initiative Activity, Managed by the Directorate of Major Infrastructure of IDECOAS-FHIS, Assistance Agreement 522-0441 and Development Objective Grant Agreement 522-0501, January 1 to September 30, 2017 (I-522-19-005-R)

This memorandum transmits the final audit report on the audit of the Community-Led Infrastructure Program (CLIP) of the Mérida Initiative and the Central America Regional Security Initiative (MÉRIDA/CARSI) Activity. 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. TSC stated that the agreement required TSC to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

TSC states that it performed the audit in accordance with generally accepted government auditing standards except that TCS did not have a continuing education program and an external peer review that fully complies with GAGAS requirements. TSC is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Directorate of Major Infrastructure (FHIS-DIM) of IDECOAS –FHIS’s fund accountability statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency’s role to impose requirements on its implementing partners and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

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 FHIS-DIM's internal controls; (3) determine whether FHIS-DIM complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by FHIS-DIM in accordance with the agreement terms; and (5) determine if FHIS-DIM has taken adequate corrective action on prior audit report recommendations. The audit covered \$1,133,644 in USAID funds 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 \$28,481 in ineligible questioned costs. TSC confirmed that the ineligible questioned costs have been refunded to USAID or supported with additional documentation; as a result, we are not including a recommendation regarding these costs.

TSC did not identify any material internal control weaknesses. TSC identified three instances of noncompliance with applicable laws, regulations, and agreement terms regarding the questioned costs stated above. TSC confirmed that the questioned costs have been refunded to USAID or supported with additional documentation; given that this is a closeout audit, we are not including a recommendation regarding these instances of noncompliance.

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

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

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").