



## MEMORANDUM

**DATE:** December 18, 2018

**TO:** USAID/Colombia Mission Director, Lawrence Sacks

**FROM:** USAID OIG Latin America and Caribbean (LAC) Regional Office, Assistant Director, Brad Moore /s/

**SUBJECT:** Financial Audit of the Electoral Process Activity in Colombia Managed by Corporación Misión de Observación Electoral, Cooperative Agreement AID-514-A-17-00002, December 21, 2016, to December 31, 2017 (I-514-19-016-R)

This memorandum transmits the final audit report on the Electoral Process Activity in Colombia. Corporación Misión de Observación Electoral (MOE) contracted with the independent certified public accounting firm BDO Audit, S.A. 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 Recipients.<sup>1</sup>

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 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 MOE's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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

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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

<sup>2</sup> 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.

MOE's internal controls; (3) determine whether MOE complied with award terms and applicable laws and regulations; and (4) determine if cost-sharing contributions were made and accounted for by MOE in accordance with the agreement terms. 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 \$1,064,281 in USAID funds 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 except for \$1,754 in ineligible questioned costs regarding an employee benefit payment considered not allowable.

The audit firm did not identify any material internal control weaknesses. The audit firm did not identify any instance of material noncompliance. However, the audit firm did identify one instance of nonmaterial noncompliance, related to the questioned costs discussed above.

The audit firm determined that cost sharing contributions were made and accounted for by MOE in accordance with the agreement terms.

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

**Recommendation 1.** Determine the allowability of \$1,754 in ineligible questioned costs on page 20 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that MOE corrects the one instance of noncompliance detailed on pages 37 and 38 of the audit report.

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").