



MEMORANDUM

DATE: December 10, 2018

TO: USAID/Honduras, Mission Director, Fernando Cossich

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

SUBJECT: Financial Audit of the Alianza Para El Corredor Seco Activity, Managed by the Millennium Challenge Account, Assistance Agreements 522-0470 and 522-0502, January 1 to December 31, 2017 (I-522-19-012-R)

This memorandum transmits the final audit report on the Alianza Para El Corredor Seco Activity (ACS/USAID), managed by the Millennium Challenge Account (MCA) for the period ended December 31, 2017.

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 in Honduras. 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 TSC 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 MCA's fund accountability statement; the effectiveness of its internal control; 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¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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 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.

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 MCA's internal controls; (3) determine whether MCA complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by MCA in accordance with the agreement terms; and (5) determine if MCA 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 \$ 8,819,080 in USAID expenditures 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.

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

TSC determined that cost sharing contributions were made and accounted for by MCA 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/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").