



## MEMORANDUM

**DATE:** March 21, 2019

**TO:** USAID/Haiti, Mission Director, Jene C. Thomas

**FROM:** USAID OIG Latin America and Caribbean (LAC) Regional Office, Acting Assistant Director, Alicia Pegues /s/

**SUBJECT:** Financial Audit of Papyrus S.A. Under Multiple Awards in Haiti, July 1, 2015, to September 30, 2016 (I-521-19-031-R)

This memorandum transmits the final audit report on Papyrus S.A., under the following awards:

<b>Award Name (Type)</b>	<b>Award Number</b>	<b>Period</b>
Smallholder Alliance for Sorghum in Haiti Program (SMASH) (cooperative agreement)	AID-521-A-14-CA0001	July 1, 2015 to September 30, 2016
KONBIT Program (cooperative agreement)	AID-521-A-15-00009	September 28, 2015 to September 30, 2016

Papyrus S.A. contracted with the independent certified public accounting firm Gardère Expert-Comptable 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.<sup>1</sup>

The audit firm states that it performed the audit in accordance with generally accepted government auditing 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 Papyrus S.A.'s fund accountability statement; the effectiveness of its internal control;

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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

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 the audit firm's internal controls; (3) determine whether the audit firm complied with the terms of the award and applicable laws and regulations; and (4) determine whether they had 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 \$1,802,037 of USAID funds for the audited period.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$190,095 (\$47,072 ineligible and \$143,023 unsupported) in total questioned costs. The ineligible questioned costs were related to (1) unreconciled cash balances totaling \$597 and (2) excess charges of \$46,475. The unsupported questioned costs were related to (1) lack of competitive bidding totaling \$7,688 for Konbit; (2) exchange rates differences totaling \$19,730 for Konbit; and (3) excess charges of \$115,605 for SMASH.

The audit firm also identified three internal control significant deficiencies. Two of these deficiencies were related to the questioned costs identified above and the other deficiency was related to a lack of time and attendance sheets. Further, the audit firm identified two instances of material noncompliance with applicable laws, regulations, and agreement terms related to the questioned costs above. However, during our review, we noted that the audit firm had identified two immaterial instances of noncompliance that should have been reported as material instances of noncompliance. One instance was related to a lack of attendance sheets and the other instance was related to the lack of timely reconciliations.

Additionally, the audit firm determined that the recipient had implemented corrective action on one prior audit report recommendation and had partially implemented corrective action on three prior audit recommendations.

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

**Recommendation 1.** Determine the allowability of \$190,095 (\$47,072 ineligible and \$143,023 unsupported) in questioned costs on pages 26-29 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Papyrus S.A. correct the three internal control significant deficiencies detailed on pages 26-30 of the audit report.

**Recommendation 3.** Verify that Papyrus S.A. correct the four instances of material noncompliance detailed on page 33-38 of the audit report.

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<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.

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").