



MEMORANDUM

DATE: July 20, 2018

TO: USAID/Colombia Mission Director, Lawrence Sacks

FROM: Regional Inspector General/San Salvador, Audit Manager, Brad Moore /s/

SUBJECT: Audit of the Colombia Coffee Yield Improvement Project Managed by Corporación Starbucks Farmer Support Center Colombia, Cooperative Agreement AID-514-A-14-00003, June 9, 2014, to December 31, 2016 (I-514-18-029-R)

This memorandum transmits the final audit report on the Colombia Coffee Yield Improvement Project. Corporación Starbucks Farmer Support Center Colombia contracted with the independent certified public accounting firm BDO Audit S.A. to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and the OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Corporación Starbucks Farmer Support Center Colombia'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¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

Corporación Starbucks Farmer Support Center Colombia's internal controls; and (3) determine whether Corporación Starbucks Farmer Support Center Colombia complied with award terms and applicable laws and regulations. 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 \$1,145,639 in USAID expenditures for the period ended December 31, 2016.

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. However, the audit firm identified \$881 in ineligible questioned costs. Additionally, during our review of the management letter we noted that the recipient requested VAT reimbursements for \$33,870. Since the audit firm did not confirm whether the VAT paid with project funds has been refunded to USAID, we are questioning this amount in recommendation I.

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

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

Recommendation I. Determine the allowability of \$34,751 in ineligible questioned costs; \$33,870 included on page 10 of the management letter and \$881 on pages 19 and 23 of the audit report and recover any amount that is unallowable.

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

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").