



## MEMORANDUM

**DATE:** December 19, 2019

**TO:** USAID/Guatemala Director, Anupama Rajaraman

**FROM:** USAID OIG Latin America and Caribbean (LAC) Regional Office, through Global and Strategic Audits Division (GSAD) Assistant Director, Pamela Hamilton /s/

**SUBJECT:** Financial Audit of Feed the Future Guatemala, Coffee Value Chains Project, Managed by Federación de Cooperativas Agrícolas de Productores de Café de Guatemala, Cooperative Agreement 72052018CA00001, November 16, 2017, to December 31, 2018 (9-520-20-012-R)

This memorandum transmits the final audit report on the Feed the Future Guatemala, Coffee Value Chains Project. Federación de Cooperativas Agrícolas de Productores de Café de Guatemala (FEDECOCAGUA) contracted with the independent certified public accounting firm García Sierra y Asociados to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have a continuing education program that fully complies with GAGAS requirements and an external peer review because such program is not offered in Guatemala. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on FEDECOCAGUA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</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 FEDECOCAGUA's internal controls; (3) determine whether FEDECOCAGUA complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by FEDECOCAGUA in accordance with the terms of the agreement; (5) determine if FEDECOCAGUA has taken adequate corrective action on prior audit recommendations; and (6) express an opinion on the schedule of computation of the

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<sup>1</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.

indirect cost rate. 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 \$1,672,120 of 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. However, the audit firm has identified \$31,875 of ineligible questioned costs related to the overstatement of indirect costs. These costs have been adjusted by the recipient, therefore; we are not making a recommendation related to the ineligible questioned costs.

The audit firm identified two material weaknesses in internal control related to: (1) the overstatement of indirect costs (questioned costs described above); and (2) project funds were not maintained in an interest bearing account. Since the audit firm reported that corrective actions have been taken to address the material weakness related to indirect costs, we are not making a recommendation regarding this finding.

The audit firm did not identify any material instances of material noncompliance with applicable laws, regulations, and agreement terms. The audit firm issued a management letter which included minor internal control deficiencies.

The audit firm stated that based on their review, nothing came to their attention that caused them to believe that FEDECOCAGUA did not fairly present the cost sharing contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing contributions schedule.

The audit firm stated that the schedule of computation of indirect cost rate was fairly stated in all material respects in relation to the fund accountability statement taken as a whole.

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

**Recommendation I.** Verify that FEDECOCAGUA corrects the material weakness in internal control regarding maintaining funds in an interest bearing account detailed on pages 21 and 22 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").