



MEMORANDUM

DATE: April 29, 2020

TO: USAID/Eastern and Southern Caribbean Country Representative, Clinton White

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 the Climate Change Adaptation Program Managed by the Caribbean Community Climate Change Centre in Eastern and Southern Caribbean, 538-IL-DO3-5C-2016-001, July 1, 2018, to June 30, 2019 (9-538-20-023-R)

This memorandum transmits the final audit report on USAID's Climate Change Adaptation Program. Caribbean Community Climate Change Centre (CCCCC) contracted with the independent certified public accounting firm González, Juárez & Asociados, S.C. 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 CCCCC's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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 CCCCC's internal controls; (3) determine whether CCCCC complied with award terms and applicable laws and regulations; and (4) determine if CCCCC 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

¹ 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.

audit covered \$1,648,727 of USAID expenditures 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 \$42,923 in total ineligible questioned costs. The questioned costs were related to: (1) a meteorological weather station valued at \$15,179 that was delivered in August 2017 and had not been installed; (2) duplicate payment totaling \$1,519; and (3) lack of management's approval of a procurement handbook needed for program execution totaling \$26,225. However, the auditors confirmed that the second finding related to a duplicate payment totaling \$1,519 has been resolved. As a result, we will not include these questioned costs in the recommendation below.

The audit firm identified one material weakness in internal control related to the deficiencies found in the procurement process. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Eastern and Southern Caribbean determine if the recipient addressed the issues noted.

The audit firm did not identify any instances of material noncompliance with applicable laws, regulations, and agreement terms. The audit firm reported a scope limitation of work in the report on compliance. The limitation was due to the auditors not able to obtain a copy of the agreement between the Caribbean Community (CARICOM) and USAID. Lack of this agreement could have omitted criteria for which the audit firm did not have access to. The audit firm issued a management letter which included minor internal control deficiencies.

In addition, although the budget for the period audited did not include indirect costs, the recipient charged \$73,817 for the period audited. We are not making a formal recommendation on this issue, but we ask that the Agreement Officer to review the issue noted.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated April 29, 2020.

To address the issues identified in the report, we recommend that USAID/Eastern and Southern Caribbean:

Recommendation 1. Determine the allowability of \$41,404 in ineligible questioned costs detailed on pages 11, 30-31, 41-42, and 43-44 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that CCCCC corrects the one material weaknesses in internal control detailed on pages 26 and 27 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").