



## MEMORANDUM

**DATE:** October 28, 2021

**TO:** USAID/Honduras Mission Director, Fernando Cossich

**FROM:** USAID OIG Latin America and Caribbean (LAC) Regional Office, Senior Auditor, John Vernon /s/

**SUBJECT:** Financial Audit of the Global Development Alliance with FUNADEH Program in Honduras Managed by the National Foundation for the Development of Honduras, Cooperative Agreement AID-522-A-15-00002, January 1 to December 31, 2019 (9-522-22-005-R)

This memorandum transmits the final audit report on the Global Development Alliance with FUNADEH Program in Honduras. The National Foundation for the Development of Honduras (FUNADEH) contracted with the independent certified public accounting firm Grant Thornton Honduras to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and USAID Financial Audit Guide for Foreign Organizations. However, it did not have an external peer review because such program is not offered in Honduras. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on FUNADEH'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 FUNADEH's internal controls; (3) determine whether FUNADEH complied with award terms and applicable laws and regulations; and (4) determine if FUNADEH has taken adequate

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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.

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; assessed and tested compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$1,518,202 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 \$283,208 in total unsupported questioned costs. The questioned costs were related to: (1) expenses that were not supported with adequate documentation totaling \$14,383 and (2) an unreconciled outstanding balance between the fund accountability statement and cash in banks of \$268,825.

The audit firm identified four significant deficiencies in internal control related to: (1) unsupported expenses; (2) deficiencies identified in supporting documentation regarding procurement process and payments; (3) differences between expenses recorded in the accounting records and expenses included in the fund accountability statement; and (4) lack of reconciliation of cash on hand. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Honduras determine if the recipient addressed the issues noted. The audit firm identified one instance of material noncompliance related to the unsupported questioned costs totaling \$14,383.

Additionally, the audit firm stated that the recipient has not taken corrective action to address all the prior audit report recommendations. We are not making a formal recommendation on this issue; however, we bring this to the Agreement Officer's attention to verify that the recipient addressed the issues noted.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated October 28, 2021.

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

**Recommendation 1.** Determine the allowability of \$283,208 in unsupported questioned costs on pages 15, 25, and 31 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that FUNADEH corrects the instance of material noncompliance detailed on pages 25 and 34 of the audit report.

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”).