



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: August 23, 2022

TO: USAID/Honduras Mission Director, Janina Jaruzelski

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

SUBJECT: Closeout Financial Audit of the Productivity and Opportunities for Development Through Renewable Energy Project in Honduras, Managed by Directorate of Major Infrastructure of SEDECOAS-FHIS, 522-0470-006 and 522-0502, January 1 to September 30, 2019 (9-522-22-020-R)

This memorandum transmits the final audit report on Directorate of Major Infrastructure of SEDECOAS-FHIS (FHIS-DIM). Tribunal Superior de Cuentas (TSC) signed an agreement with the U.S. Agency for International Development (USAID) and the Secretariat of Finance to perform audits of programs funded with USAID resources. TSC 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 a continuing education program that fully complies with GAGAS requirements or an external peer review because such program is not offered in Honduras. TSC is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on FHIS-DIM'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 FHIS-DIM's internal controls; (3) determine whether FHIS-DIM complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by FHIS-DIM in accordance with the terms of the agreement; and (5) determine if FHIS-DIM has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, TSC reported that they assessed and tested the internal controls related to

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.

the project; assessed and tested compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$999,608 of USAID expenditures for the audited period.

TSC 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 \$17,014 in total ineligible questioned costs. TSC confirmed that \$16,787 in ineligible questioned costs have been adjusted by the recipient. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Honduras determine the allowability of the remaining \$227 in questioned costs and recover any amount determined to be unallowable.

TSC did not identify any material weaknesses in internal control. TSC identified four instances of material noncompliance related to (1) FHIS-DIM submitted for and obtained in reimbursement payments made to suppliers that could not be physically located; (2) FHIS-DIM did not properly document some expenses; (3) FHIS-DIM requested the reimbursement of expenses that included sales tax; and (4) FHIS-DIM did not provide the total amount of cost sharing contributions required under the agreements. TSC identified a shortfall of \$912,418.

TSC stated that based on their review, nothing came to their attention that caused them to believe that FHIS-DIM did not fairly present the cost sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing schedule.

Additionally, TSC stated that the recipient has not taken adequate corrective action to address all prior audit report recommendations.

Finally, the auditors included a list of the project's non-expendable items; however, they did not mention if all assets were disposed of in accordance with the agreement terms. We are not making a formal recommendation on this issue, but we suggest that the agreement officer review this issue as part of the closeout process.

During our desk review, we noted several minor issues which the audit firm should consider when preparing future audit reports. We presented these issues in a memo to the controller, dated August 23, 2022.

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

Recommendation I. Verify that FHIS-DIM corrects the four instances of material noncompliance 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.

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”).