



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

MEMORANDUM

DATE: October 26, 2023

TO: USAID/Honduras, Mission Director, Kenneth MacLean

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

SUBJECT: Financial Audit of the National Foundation for the Development of Honduras, Cooperative Agreement AID-522-A-15-00002, January 1 to December 31, 2020 (9-522-24-001-R)

This memorandum transmits the final audit report of the National Foundation for the Development of Honduras (FUNADEH). FUNADEH contracted with the independent audit 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. However, it did not have an external peer review that fully satisfy the standards' requirements. 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.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 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 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 \$825,577 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 \$48,606 in total questioned costs (\$4,593 ineligible and \$44,013 unsupported). The questioned costs were related to: (1) an unreconciled outstanding balance between the fund accountability statement and cash in banks of \$42,968; (2) liquidated expenses of \$4,445 that do

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.

not correspond to the project; (3) unsupported expenses of \$1,045; (4) interest earned of \$148 not reimbursed to USAID.

The audit firm identified four significant deficiencies and did not identify any material weaknesses in internal control. The audit firm identified one instance of material noncompliance related to the questioned costs totaling \$148 detailed above. 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.

Additionally, the audit firm stated that the recipient has not taken adequate corrective action to address 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.

We noted that the schedule of expenditures of USAID awards included budget overruns that exceeded 10 % of the total budget. 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.

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

Recommendation 1. Determine the allowability of \$48,606 in questioned costs (\$4,593 ineligible and \$44,013 unsupported) on page 15 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that FUNADEH corrects the one instance of material noncompliance detailed on page 35 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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.