



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

MEMORANDUM

DATE: October 28, 2024

TO: USAID/Honduras, Mission Director, Kenneth MacLean

FROM: Latin America and Caribbean (LAC) Regional Office, Audit Director, Hannah Maloney /s/

SUBJECT: Financial Audit of the GENESIS Project in Honduras Managed by the National Foundation for the Development of Honduras, Cooperative Agreement AID-522-A-15-00002, January 1, 2021, to December 31, 2022 (I-522-25-004-R)

This memorandum transmits the final audit report on the GENESIS Project in Honduras. The National Foundation for the Development of Honduras (FUNADEH) contracted with the independent audit firm Ecovis Honduras S. de R.L. 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 satisfies 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 schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards 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 \$2,139,257 of USAID expenditures for the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$103,913 in unsupported questioned costs. The questioned costs were related to an

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.

unreconciled outstanding balance between the schedule of expenditures of USAID awards and cash in banks of \$103,913.

The audit firm identified one significant deficiency related to the questioned costs detailed above and did not identify any material weaknesses in internal control. The audit firm did not identify any instances of material noncompliance with applicable laws, regulations, and agreement terms. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Honduras determine if the recipient addressed the issue noted.

Regarding whether the recipient has taken adequate corrective action to address all the prior audit report recommendations, the audit firm stated that one recommendation was still in process.

During our desk review, we noted one area for improvement which the audit firm should address in future audit reports. We presented this area in a memo to the controller, dated October 28, 2024.

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

Recommendation I. Determine the allowability of \$103,913 in unsupported questioned costs on page 14 of the audit report and recover any amount that is unallowable.

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.