



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

### MEMORANDUM

**DATE:** May 30, 2025

**TO:** USAID/Honduras, Mission Director, David Billings

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

**SUBJECT:** Financial Audit of Dirección de Infraestructura Mayor of FHIS/SEDECOAS Under Multiple Awards in Honduras, January 1 to December 31, 2023 (I-522-25-025-R)

This memorandum transmits the final audit report on Dirección de Infraestructura Mayor (DIM) of FHIS/SEDECOAS (DIM-FHIS/SEDECOAS) under the following awards:

Award Name	Award Number (Type)	Period
Infrastructure for Citizen Security (ICS) Activity	522-0501 (Grant Agreement)	January 1 to December 31, 2023
Infrastructure Pilot in Western Honduras (PIOH) Activity	522-0502 (Grant Agreement)	January 1 to December 31, 2023

Tribunal Superior de Cuentas (TSC) signed an agreement with the U.S. Agency for International Development (USAID) and the Secretariat of Finance with the purpose of performing audits of programs funded with USAID resources. TSC stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external peer review or a continuing professional education program that fully satisfy the standards' requirements. TSC is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DIM-FHIS/SEDECOAS's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate DIM-FHIS/SEDECOAS's internal controls; (3) determine whether DIM-FHIS/SEDECOAS complied with award terms and applicable laws and regulations; (4) determine

<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.

if cost-sharing contributions were made and accounted for by DIM-FHIS/SEDECOAS in accordance with the terms of the agreement; and (5) determine if DIM-FHIS/SEDECOAS 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 the project; assessed and tested compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$3,441,126 of USAID expenditures for the audited period.

TSC 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 \$25,943 in total questioned costs (\$17,482 ineligible and \$8,461 unsupported). The questioned costs were related to: (1) \$684 in expense reimbursement requests submitted to USAID that were not prepared correctly, (2) a \$7,777 final balance of the ICS activity that was not reconciled correctly, and (3) \$17,482 in bonuses paid to DIM-FHIS personnel that were erroneously reported to USAID as grant and cost-sharing expenditures. The auditors confirmed that DIM-FHIS/SEDECOAS had partially refunded USAID for the incorrect reimbursement requests, leaving a balance of \$277. We have accordingly adjusted the questioned costs in Recommendation 1 below.

TSC identified two material weaknesses in internal control and one significant deficiency. The material weaknesses were related to the questioned costs detailed above, specifically (1) the submission of incorrect expense reimbursement requests to USAID and (2) the unreconciled final balance of the ICS activity. Since TSC reported that corrective actions have been taken to address the significant deficiency, we are not making a recommendation regarding this finding. TSC identified one instance of material noncompliance with applicable laws, regulations, and agreement terms related to the incorrect performance of some USAID activities, including the questioned costs mentioned above that were erroneously reported to USAID as grant and cost-sharing expenditures.

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

TSC determined that the recipient has taken adequate corrective actions on prior audit report recommendations.

During our desk review, we noted one area for improvement which TSC should address in future audit reports. We presented this area in a memo to the controller, dated May 30, 2025.

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

**Recommendation 1.** Determine the allowability of \$25,536 in questioned costs (\$17,482 ineligible and \$8,054 unsupported) on page 11 and 27 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that DIM-FHIS/SEDECOAS corrects the two material

weaknesses in internal control detailed on page 25 of the audit report.

**Recommendation 3.** Verify that DIM-FHIS/SEDECOAS corrects the one instance of material noncompliance detailed on page 33 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.<sup>2</sup>

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<sup>2</sup> 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](mailto:oignotice_ndaa5274@usaid.gov).