



MEMORANDUM

DATE: September 25, 2018

TO: USAID/Dominican Republic Acting Mission Director, Haven Cruz-Hubbard

FROM: Regional Inspector General/San Salvador, Assistant Director, Brad Moore /s/

SUBJECT: Financial Audit of the Fundación Rural Economic Development Dominicana Under Multiple Awards in Dominican Republic, 2016-2017 (1-517-18-032-R)

This memorandum transmits the final audit report on Rural Economic Development Dominicana (REDDOM) under the following awards:

Award Name (Type)	Award Number	Period
Climate Risk Reduction in Santiago and Las Terrenas (cooperative agreement)	AID-517-A-16-00001	Aug 26, 2016- June 30, 2017
Feed the Future Dominican Republic Climate and Agriculture (cooperative agreement)	AID-517-A-15-00007	July 1, 2016- June 30, 2017
Sustainable Cacao Farming in the Dominican Republic (cooperative agreement)	AID-517-A-14-00001	Jul 1, 2016-Sep 30, 2017; (closeout)
Climate Resiliency and Index Insurance for Small Farmers in the Dominican Republic (cooperative agreement)	AID-517-A-13-00001	July 1, 2016- June 12, 2017 (closeout)

REDDOM contracted with the independent certified public accounting firm Campusano & Asociados, SRL to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and the Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have an external peer review.

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, follows the Guidelines

The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on REDDOM's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

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 REDDOM's internal controls; (3) determine whether REDDOM complied with award terms and applicable laws and regulations; (4) determine if cost sharing contributions were made and accounted for by REDDOM in accordance with the agreement terms; and (5) determine if REDDOM 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, compliance with applicable laws, regulations, the agreement's provisions, and reviewed project expenditures. The audit covered \$1,584,908 in USAID expenditures for the period audited.

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. Additionally, the auditors reported an outstanding fund balance of \$15,724 at the end of the period that has not been returned to USAID. Since cooperative agreements: AID-517-A-14-00001 and AID-517-A-13-00001 are closeout audits, we are questioning the outstanding balance that should be returned to USAID.

The audit firm did not identify any material internal control weaknesses or instances of noncompliance with applicable laws, regulations, and agreement terms. The audit firm determined that cost sharing contributions were made and accounted for by the recipient in accordance with the agreement terms. Additionally, the audit firm stated that the prior audit report did not include actions on prior audit report recommendations.

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

Recommendation 1. Determine the allowability of \$15,724 in ineligible questioned costs in regard to the outstanding balance included on page 39 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. We appreciate the assistance extended during the engagement.

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").

² 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.