



MEMORANDUM

DATE: March 21, 2019

TO: USAID/Haiti, Mission Director, Jene Thomas

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, Acting Assistant Director, Alicia Pegues /s/

SUBJECT: Financial Audit of Papyrus S.A. Under Multiple Awards in Haiti, October 1, 2016, to September 30, 2017 (I-521-19-032-R)

This memorandum transmits the final audit report on Papyrus S.A. under the following awards:

Award Name (Type)	Award Number
Smallholder Alliance for Sorghum in Haiti Program (SMASH) (cooperative agreement)	AID-521-A-14-CA0001
Konbit Program (cooperative agreement)	AID-521-A-15-00009
Local Enterprise Value Chain Enhancement Project (sub-contract)	SOL-521-12-000009

Papyrus S.A. contracted with the independent certified public accounting firm Gardère Expert-Comptable to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm stated that it performed the audit in accordance with generally accepted government auditing standards except that the audit firm did not have a continuing education program and an external peer review that fully complies with GAGAS requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Papyrus S.A.'s fund accountability statement; the effectiveness of its

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

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 Papyrus S.A.'s internal controls; (3) determine whether Papyrus S.A. complied with the terms of the award and applicable laws and regulations; (4) determine if Papyrus S.A. has taken adequate corrective action on prior audit recommendations; (5) perform an audit of the indirect cost rate; and (6) express an opinion on the general purpose financial statements. 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 \$2,435,615 in USAID funds 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 \$8,770 in total unsupported questioned costs. These questioned costs were related to (1) incorrect exchange rate adjustments for the Konbit program totaling \$5,751; (2) a difference between cash available at the end of the audited period and the Konbit program's accounting records totaling \$1,920 (3) a difference between the payroll register and the general ledger recorded in the Smash program's accounting records totaling \$916; (4) a difference between the payroll register and the general ledger in the Konbit program's accounting records totaling \$183.

The audit firm identified three internal control significant deficiencies related to the questioned costs described above. The audit firm also identified four instances of material noncompliance with applicable laws, regulations, and agreement terms. Three of these instances were related to the questioned costs described above. The remaining instance was related to a cash advance reconciliation that was not timely performed. Additionally, the audit firm determined that the recipient has (a) implemented corrective action on one prior audit recommendation; (b) partially implemented corrective action on three prior audit recommendations; and (c) not implemented any corrective action on five prior audit recommendations.

The audit firm concluded that the general purpose financial statements presented fairly, in all material respects, the financial position of Papyrus S.A. as of September 30, 2017. Furthermore, the audit firm stated that the schedule of computation of indirect cost rate was fairly stated in all material respects in relation to the general purpose financial statements taken as whole.

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

Recommendation I. Determine the allowability of \$8,770 in unsupported questioned costs identified on pages 25 and 26 of the audit report and recover any amount that is unallowable.

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.

Recommendation 2. Verify that Papyrus S.A. corrects the three internal control significant deficiencies detailed on pages 31-34 of the audit report.

Recommendation 3. Verify that Papyrus S.A. corrects the four instances of material noncompliance detailed on pages 37-41 of the audit report.

Recommendation 4. Verify that Papyrus S.A. implements corrective action to close the prior audit recommendations detailed on pages 11-16 of the audit report.

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").