



MEMORANDUM

DATE: November 16, 2018

TO: USAID/Paraguay Acting Mission Director, Laura McKechnie

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

SUBJECT: Audit of the Inclusive Value Chains for Rural Development Program Managed by Federación de Cooperativas de Producción LTDA. Cooperative Agreement AID-526-A-13-00002, January 1, 2017, to December 31, 2017 (I-526-19-007-R)

This memorandum transmits the final audit report on the Inclusive Value Chains for Rural Development program. Federación de Cooperativas de Producción LTDA. (FECOPROD) contracted with the independent certified public accounting firm Ernst & Young Paraguay 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 states 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 FECOPROD'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 the FECOPROD's internal controls; (3) determine whether FECOPROD complied with award

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

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.

terms and applicable laws and regulations (4) determine if cost-sharing contributions were made and accounted for by FECOPROD in accordance with the agreement terms; and (5) determine if FECOPROD 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 \$1,915,315 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 \$527 in total ineligible questioned costs. The auditors stated that these costs have been reimbursed to the project; therefore, we are not making a recommendation related to the ineligible costs.

The audit firm identified one internal control material weakness and one instance of material noncompliance related to the questioned costs detailed above. These deficiencies have been corrected by the recipient; therefore, we are not making a recommendation.

The audit firm determined that cost sharing contributions were made and accounted for by FECOPROD in accordance with the agreement terms. Additionally, the audit firm determined that the recipient has taken adequate corrective actions on prior audit report recommendations.

Based on the results of the desk review, OIG is not making any recommendation to USAID/Paraguay.

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").