MEMORANDUM

DATE: November 18, 2020

TO: USAID/Honduras Mission Director, Fernando Cossich

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, Senior Auditor, John Vernon /s/

SUBJECT: Financial Audit of the Global Development Alliance with FUNADEH Program in Honduras Managed by the National Foundation for the Development of Honduras, Cooperative Agreement AID-522-A-15-00002, January 01 to December 31, 2018 (9-522-21-008-R)

This memorandum transmits the final audit report on the Global Development Alliance with the National Foundation for the Development of Honduras (FUNADEH) program. FUNADEH contracted with the independent certified public accounting firm PKF-Tovar López & Co. 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 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 FUNADEH's fund accountability statement; 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 fund accountability statement 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; (4) determine if the leverage was properly registered, quantified, and reported by FUNADEH; and (5) 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;

[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.

compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered $1,809,086 of USAID expenditures 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 $882,367 in total unsupported questioned costs. The questioned costs were related to: (1) costs in excess of the USAID approved budget totaling $462,338; (2) lack of supporting documents totaling $164,362; and (3) lack of reconciliation of the final balance in banks ($255,667) with the fund accountability statement's balance.

The audit firm identified three internal control significant deficiencies. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Honduras determine if the recipient addressed the issues noted.

The audit firm identified two instances of material noncompliance related to budget overruns that exceeded 10 percent of the total budget included in the fund accountability statement and recommendations from the previous audit had not been implemented.

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

Recommendation 1. Determine the allowability of $882,367 in unsupported questioned costs on pages 20 and 21 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that FUNADEH corrects the two instances of material noncompliance detailed on page 45 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

IG 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").