



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

### MEMORANDUM

**DATE:** January 6, 2023

**TO:** USAID/Guatemala Mission Director, Haven Cruz-Hubbard

**FROM:** Latin America and Caribbean (LAC) Regional Office, through Global and Strategic Audits Division (GSAD) Assistant Director, Pamela Hamilton /s/

**SUBJECT:** Financial Audit of Feed the Future Guatemala, Coffee Value Chains Project, Managed by Federación de Cooperativas Agrícolas de Productores de Café de Guatemala, Cooperative Agreement 72052018CA00001, January 1 to December 31, 2021 (9-520-23-007-R)

This memorandum transmits the final audit report on Feed the Future Guatemala, Coffee Value Chains Project. Federación de Cooperativas Agrícolas de Productores de Café de Guatemala (FEDECOCAGUA) contracted with the independent certified public accounting firm García Sierra y Asociados, S.C. 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 an external peer review because such program is not offered in Guatemala. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on FEDECOCAGUA'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 FEDECOCAGUA's internal controls; (3) determine whether FEDECOCAGUA complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by FEDECOCAGUA in accordance with the terms of the agreement; and (5) determine if FEDECOCAGUA 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; assessed and tested compliance with applicable laws, regulations, the agreement's provisions; and reviewed project

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<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.

expenditures. The audit covered \$4,777,511 of USAID expenditures for the audited period.

The audit firm 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 \$77,970 in total ineligible questioned costs. The questioned costs were related to: (1) interest not accrued as required totaling \$810; and (2) incorrect bank debit to the project's bank account totaling \$77,160, which is recorded on the schedule of expenditures of USAID awards as an account receivable. However, the auditors confirmed that the questioned costs detailed above has been reimbursed by the recipient, therefore; we are not making a recommendation related to the ineligible questioned costs.

The audit firm identified three material weaknesses in internal control and three instances of material noncompliance related to: (1) interest not accrued as required totaling \$810; (2) incorrect bank debit to the project's bank account totaling \$77,160 (listed on the schedule of expenditures of USAID awards as an account receivable); and (3) accounting overdraft in the project's bank account. The audit firm issued a management letter which included minor internal control deficiencies and immaterial instances of noncompliance.

The audit firm stated that based on their review, nothing came to their attention that caused them to believe that FEDECOCAGUA 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.

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

**Recommendation 1.** Verify that FEDECOCAGUA corrects the three material weaknesses in internal control detailed on pages 20 and 21 of the audit report.

**Recommendation 2.** Verify that FEDECOCAGUA corrects the three instances of material noncompliance detailed on pages 28 and 29 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").