



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

MEMORANDUM

DATE: December 29, 2021

TO: USAID/Honduras Mission Director, Janina Jaruzelski

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

SUBJECT: Financial Audit of the Alianza Para El Corredor Seco Activity in Honduras, Managed by the Millennium Challenge Account, Assistance Agreements 522-0470 and 522-0502, January 1 to December 31, 2020 (9-522-22-012-R)

This memorandum transmits the final audit report on the Alianza Para El Corredor Seco activity managed by the Millennium Challenge Account in Honduras (MCA-H INVEST-H). Tribunal Superior de Cuentas (TSC) signed an agreement with the U.S. Agency for International Development (USAID) and the Secretariat of Finance with the purpose of performing audits of programs funded with USAID resources in Honduras. TSC stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have a continuing education program that fully complies with GAGAS requirements and an external peer review because such program is not offered in Honduras. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-H INVEST-H'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 MCA-H INVEST-H's internal controls; (3) determine whether MCA-H INVEST-H complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by MCA-H INVEST-H in accordance with the terms of the agreement; and (5) determine if MCA-H INVEST-H 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

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 \$4,010,353 of USAID expenditures for the audited period.

TSC 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 \$1,220 in ineligible questioned costs related to taxes paid with grant funds. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Honduras determine the allowability of the \$1,220 in questioned costs and recover any amount determined to be unallowable.

TSC did not identify any material weaknesses in internal control. TSC identified three instances of material noncompliance with applicable laws, regulations, and agreement terms related to: (1) taxes paid with grant funds totaling \$1,220, (2) reimbursement requested of unrecorded expenses, and (3) fund accountability statement unreconciled with its explanatory notes. Since TSC reported that corrective actions have been taken to address the second and third material weaknesses, we are not making a recommendation regarding these findings. Although we are not making a recommendation for the first instance of material noncompliance related to the questioned costs discussed above, we suggest that USAID/Honduras determine if the recipient addressed the issue noted.

TSC stated that based on their review, nothing came to their attention that caused them to believe that MCA-H INVEST-H 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.

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

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").