



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: March 27, 2023

TO: USAID/Honduras Acting Mission Director, Kenneth MacLean

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

SUBJECT: Financial Audit of Directorate of Major Infrastructure of FHIS/SEDECOAS Under Multiple Awards in Honduras, January 1 to December 31, 2021 (9-522-23-013-R)

This memorandum transmits the final audit report on Directorate of Major Infrastructure of FHIS/SEDECOAS (DIM-FHIS/SEDECOAS) under the following awards:

Award Name	Award Number (Type)	Period
Citizen Security Infrastructure Program (ICS)	522-0501 (Grant Agreement)	January 1 to December 31, 2021
Pilot Infrastructure Activity Program in Western Honduras (PIOH)	522-0502 (Grant Agreement)	January 1 to December 31, 2021

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 projects funded with USAID resources. TSC stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external peer review or a continuing professional education program that fully satisfy the standards' requirements. TSC is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DIM-FHIS/SEDECOAS's schedule of expenditures of USAID awards; 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 schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate the DIM-FHIS/SEDECOAS's internal controls; (3) determine whether DIM-FHIS/SEDECOAS complied with award terms and applicable laws and regulations; (4) determine

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.

if cost-sharing contributions were made and accounted for by DIM-FHIS/SEDECOAS in accordance with the terms of the agreement; and (5) determine if DIM-FHIS/SEDECOAS has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, TSC 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 expenditures. The audit covered \$3,180,555 of USAID expenditures for the audited period.

TSC 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.

TSC identified two significant deficiencies in internal control. Since TSC reported that corrective actions have been taken to address the significant deficiencies, we are not making a recommendation regarding these findings. TSC identified one instance of material noncompliance with applicable laws, regulations, and agreement terms related to cash contributions of \$4,317 included in the cost-sharing schedule that were requested for reimbursement and recorded as expenses in the schedule of expenditures of USAID awards. Since the instance of material noncompliance is related to the questioned costs of \$4,317 identified in the cost sharing schedule that did not meet the OIG's established threshold of \$25,000 for making a recommendation and TSC reported that the questioned costs have been resolved by DIM-FHIS/SEDECOAS, we are not making a recommendation regarding this finding.

TSC stated that based on their review, except for ineligible questioned costs of \$4,317, nothing came to their attention that caused them to believe that DIM-FHIS/SEDECOAS 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. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation and TSC confirmed that questioned costs totaling \$4,317 have been resolved by DIM-FHIS/SEDECOAS we are not making a recommendation.

Additionally, TSC 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/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").