



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

MEMORANDUM

DATE: August 31, 2023

TO: USAID/Paraguay, Acting Mission Director, Adriana Casati

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

SUBJECT: Financial Audit of the Inclusive Value Chains for Rural Development Program in Paraguay Managed by Federación de Cooperativas de Producción LTDA., Cooperative Agreement AID-526-A-13-00002, January 1 to December 31, 2022 (9-526-23-018-R)

This memorandum transmits the final audit report on the Inclusive Value Chains for Rural Development program in Paraguay. Federación de Cooperativas de Producción LTDA. (FECOPROD) contracted with the independent audit firm Ernst & Young Paraguay 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 or a continuing professional education program that fully satisfy the standards' 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 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 FECOPROD's internal controls; (3) determine whether FECOPROD complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by FECOPROD in accordance with the terms of the agreement; 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; assessed and tested compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$917,925 of USAID expenditures for the audited period.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all

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.

material respects, program revenues and costs incurred under the award for the period audited except for \$10,135 in total ineligible questioned costs. The questioned costs were related to: (1) lack of competitive bidding totaling \$9,331; and (2) travel expenses of \$804 not in compliance with the procedure's manual. 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/Paraguay determine the allowability of the \$10,135 in ineligible questioned costs and recover any amount determined to be unallowable.

The audit firm identified two material weaknesses in internal control and two instances of material noncompliance related to the questioned costs detailed above. Although we are not making a recommendation for instances of material noncompliance noted in the report, we suggest that USAID/Paraguay determine if the recipient addressed the issues noted. The audit firm issued a management letter which included minor internal control deficiencies.

The audit firm stated that based on their review, nothing came to their attention that caused them to believe that FECOPROD 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/Paraguay:

Recommendation I. Verify that FECOPROD corrects the two material weaknesses in internal control detailed on page 25 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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.