



Nineteenth Regular Meeting of the Inter-American  
Board of Agriculture (IABA)

**Twenty-second and Twenty-third Reports of the  
Audit Review Committee (ARC)**

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San Jose, Costa Rica  
25-26 October 2017



## **TWENTY THIRD ANNUAL REPORT OF THE AUDIT REVIEW COMMITTEE**

### **ESTABLISHMENT OF THE COMMITTEE**

The Audit Review Committee (ARC) was established in September 1993 by Resolution 231 of the Inter-American Board of Agriculture (IABA).

### **MANDATE**

Pursuant to the Statute of the Audit Review Committee, the only reporting requirement of the Audit Review Committee is to report to both the Executive Committee and the Inter-American Board of Agriculture anything that, in the judgment of the Audit Review Committee, may constitute a violation of the rules and procedures governing the operations of the General Directorate.

### **MEMBERS OF THE AUDIT REVIEW COMMITTEE**

The present members of the ARC are:

- Steve Rickrode, Deputy Assistant Inspector General for Audit, Office of Inspector General, United States Department of Agriculture, U.S.A.
- Ana Marissa Díaz Román, National Director of Administration and Finance, Ministry of Agricultural Development, Panama
- Antonette R. Hodge, Senior Accountant, Office of the Accountant General, Saint Kitts

### **ACTIVITIES OF THE AUDIT REVIEW COMMITTEE**

The ARC met at IICA Headquarters, in Coronado, Costa Rica, on May 23 - 24, 2017, with the purpose of conducting the annual review of the Financial Statements for the year that ended December 31, 2016.

Discussions were held with the following management and administrative personnel of IICA:

- Víctor M. Villalobos, Director General
- Lloyd Day, Deputy Director General
- Karen Kleinheinz, Director of the Financial Management Division
- Grettel Loría, Accounting Chief of the Financial Management Division
- Yensy Casanova, Coordinator of the Consolidation Unit, Financial Management Division
- Rocío Bohórquez, Internal Auditor
- Wilber Coccozza, Specialist, IT Audit
- Osvaldo Solano, Specialist, Information, Technology and Communications Unit

The ARC reviewed the draft report of the external auditor, Deloitte, and held discussions with the Audit Director, Anayancy Porras, and the Audit Manager, Erick Jiménez.

Based on these discussions, the ARC found that the work performed by the external auditors complies with International Auditing Standards and IICA's rules. The external auditors qualified their opinion on the financial statements related to issues pertaining to the valuation of termination benefits and the movement of quotas receivable from Member States. These matters are addressed below.

## **REPORT TO THE EXECUTIVE COMMITTEE OF IICA**

### **Valuation of Termination Benefits**

The ARC reviewed and considered the basis of the external auditors' qualified opinion with respect to the absence of actuarial studies for termination benefits in the amount of USD2.9M. The 2015 audit opinion was qualified for USD2.6M due to a similar issue; however, we acknowledge the management actions in relation to the termination benefits subjected to actuarial studies.

The ARC understands and accepts the external auditors' opinion. Additionally, we are cognizant of the cost associated with these studies. However, we encourage IICA to consider, over a period of time, additional actuarial studies to ensure overall valuation of termination benefits.

### **Quotas Receivable**

The ARC reviewed and considered the basis of the external auditors' qualified opinion, with respect to the state of movement of quotas receivable in Exhibit 1 of the supplementary financial information. As of December 31, 2016 and 2015, IICA presented quotas receivable with aging greater than 365 days in the amount of USD4.8M and USD2.5M, respectively. IICA continues to monitor payment of quotas.

The ARC understands and accepts the external auditors' opinion. The ARC encourages IICA to pursue timely collection of quotas receivables.

### **AIS Program in Colombia**

The ARC reviewed the note to the financial statements for December 31, 2016 and 2015 in relation to AIS program in Colombia. We are cognizant of the complex nature of this outstanding matter and IICA's ongoing resolution efforts; as well as, the related reviews and potential legal claims. The ARC is of the view that IICA has considered the risk associated with the issue and is addressing it appropriately. The ARC recommends that IICA continue to monitor the situation.

The ARC acknowledges IICA's actions to address the previous recommendation regarding the information technology vulnerability assessment. The ARC appreciates IICA management's attention to this matter.

We are making no additional recommendations.

Prepared by:

**Antonette R. Hodge**  
**Saint Kitts and Nevis**

**Steve Rickrode**  
**U.S.A.**

**Ana Marissa Díaz Román**  
**Panama**

## **TWENTY-SECOND ANNUAL REPORT OF THE AUDIT REVIEW COMMITTEE**

### **ESTABLISHMENT OF THE AUDIT REVIEW COMMITTEE**

The Audit Review Committee (ARC) was established in September 1993 by Resolution 231 of the Inter-American Board of Agriculture (IABA).

### **MANDATE**

Pursuant to the Statute of the Audit Review Committee, the only reporting requirement of the Audit Review Committee is to report to both the Executive Committee and the Inter-American Board of Agriculture anything that, in the judgment of the Audit Review Committee, may constitute a violation of the rules and procedures governing the operations of the General Directorate.

### **MEMBERS OF THE AUDIT REVIEW COMMITTEE**

The present members of the ARC are:

Steve Rickrode, Deputy Assistant Inspector General for Audit, Office of Inspector General, United States Department of Agriculture, U.S.A.

Melania Rodríguez, National Director of Administration and Finance, Ministry of Agricultural Development, Panama

Antonette R. Hodge, Deputy Director of Audit, National Audit Office, Saint Kitts and Nevis

### **ACTIVITIES OF THE AUDIT REVIEW COMMITTEE**

The ARC met at IICA Headquarters, in Coronado, Costa Rica, on June 27-28, 2016, with the purpose of conducting the annual review of the Financial Statements and related audit for the year ended December 31, 2015.

Discussions were held with the following management and administrative personnel of IICA:

Lloyd Day	- Deputy Director General
Salvador Fernández	- Director of Technical Cooperation
Diego Montenegro	- Director of Management and Regional Integration
Karen Kleinheinz	- Director, Division of Financial Management
Yensy Casanova	- Coordinator of Consolidation Unit, Finance
Rocío Bohórquez	- Internal Auditor
Oswaldo Solano	- Specialist - Information, Technology and Communications Unit

The ARC reviewed the draft report of the external auditors, Deloitte, and held discussions with the Audit Director, Anayancy Porras, and the Audit Manager, Erick Jiménez.

Based on these discussions, the ARC found that the work performed by the external auditors complies with International Auditing Standards and IICA's rules. The external auditors qualified their opinion on the financial statements relating to issues pertaining to the valuation of termination benefits and the movement of quotas receivable. In our previous report, we addressed legal contingencies and matters related to information technology security. These matters are addressed below.

## **REPORT TO THE EXECUTIVE COMMITTEE OF IICA**

### **Valuation of Termination Benefits**

The ARC reviewed and considered the basis of the external auditors' qualified opinion with respect to the absence of actuarial studies for termination benefits in the amount of USD2.6M. The 2014 audit opinion was qualified due to a similar issue; however, we acknowledge the management actions in relation to the termination benefits subjected to actuarial studies.

The ARC understands and accepts the external auditors' opinion. Additionally, we are cognizant of the cost associated with these studies. However, we encourage IICA to consider, over a period of time, additional actuarial studies to ensure overall valuation of termination benefits.

### **Quotas Receivable**

The ARC reviewed and considered the basis of the external auditors' qualified opinion, with respect to the state of movement of quotas receivable in Exhibit 1 of the supplementary financial information. As of December 31, 2015, IICA presented quotas receivable with aging greater than 365 days in the amount of USD2.4M. IICA continues to monitor payment of quotas.

The ARC understands and accepts the external auditors' opinion. We are making no recommendations in relation to quotas at this time.

### **AIS Program in Colombia**

The ARC reviewed the note to the financial statements for December 31, 2015 and 2014 in relation to AIS program in Colombia. We are cognizant of the complex nature of this outstanding matter and IICA's ongoing resolution efforts; as well as, the related reviews and potential legal claims. The ARC is of the view that IICA has considered the risk associated with the issue and is addressing it appropriately. The ARC recommends that IICA continue to monitor the situation.

In our previous report, the ARC considered and found merit with the external auditors' concern regarding the lack of a vulnerability analysis to determine opportunities for security breaches relating to IICA's information technology infrastructure. In 2015, IICA provided budgetary resources to conduct a vulnerability analysis review scheduled for 2016.

The ARC appreciates IICA management's attention to this matter. We are making no additional recommendations.

Prepared by:

**Antonette R. Hodge**  
**Saint Kitts and Nevis**

**Melania Rodríguez**  
**Panama**

**Steve Rickrode**  
**U.S.A.**