



## MEMORANDUM

**DATE:** April 25, 2018

**TO:** USAID/Peru, Lawrence Rubey, Mission Director

**FROM:** Regional Inspector General/San Salvador, Audit Manager, Brad Moore /s/

**SUBJECT:** Audit of Capital Humano y Social Alternativo's Management of the Human Trafficking in the Peruvian Amazon Area Project, Cooperative Agreement No. AID-527-A-14-00004, July 21, 2014, to December 31, 2016 (I-527-18-020-R)

This memorandum transmits the final audit report on the Human Trafficking in the Peruvian Amazon Area Project. Capital Humano y Social Alternativo (CHS) contracted with the independent certified public accounting firm Rivera & Asociados to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and the OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

The audit firm states that it performed the audit in accordance with generally accepted government auditing standards, except that the audit firm did not have an external peer review. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on CHS's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

<sup>2</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.

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 the CHS's internal controls; (3) determine whether CHS complied with award terms and applicable laws and regulations; and (4) determine if cost-sharing contributions were made and accounted for by CHS in accordance with the agreement terms. To answer the audit objective, the audit firm reported that they assessed and tested the internal controls related to the project, compliance with applicable laws, regulations, the agreement's provisions, and reviewed project expenditures. The audit covered \$424,923, in USAID funds for the period ended December 31, 2016.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. However, during the review of the management letter, we noted that the audit firm should have included as questioned cost in the fund accountability statement the \$13,523, related to an overstatement of expenses charged to USAID.

Rivera & Asociados did not identify any material internal control weaknesses or instances of noncompliance with applicable laws and regulations and agreement terms.

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

**Recommendation 1.** Determine the allowability of \$13,523 in eligible questioned costs identified on pages 25 and 26 of the management letter.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended during the engagement.

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").