



MEMORANDUM

DATE: November 30, 2018

TO: USAID/Peru Mission Director, Lawrence Rubey

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, Assistant Director, Brad Moore /s/

SUBJECT: Audit of Comisión Nacional para el Desarrollo y Vida sin Drogas' Management, Grant Agreement 527-0426, January 1 to December 31, 2016 (I-527-19-009-R)

This memorandum transmits the final audit report on Grant Agreement 527-0426, managed by the Comisión Nacional para el Desarrollo y Vida sin Drogas (DEVIDA) and prepared by the Controller General of the Republic of Peru (CGR). CGR signed a memorandum of understanding with the U.S. Agency for International Development (USAID) with the purpose of conducting audits of programs funded with USAID resources in accordance with generally accepted government auditing standards.

CGR states that it performed its audit in accordance with generally accepted government auditing standards, except that CGR did not have an external peer review that fully complies with GAGAS requirements. CGR is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DEVIDA'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 DEVIDA's internal controls; (3) determine whether DEVIDA complied with award terms and applicable laws and regulations; (4) determine if cost sharing contributions were made and accounted for by DEVIDA in accordance with the agreement terms; and (5) determine if DEVIDA has taken adequate corrective actions on prior audit report recommendations. To answer the audit objectives, CGR reported that they assessed and tested the internal controls

¹ We reviewed CGR'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.

related to the project, compliance with applicable laws, regulations, the agreement's provisions, and reviewed project expenditures. The audit covered \$2,927,362 in USAID funds for the period ended December 31, 2016.

The audit firm 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 \$184,318 in ineligible questioned costs related to the National Survey of Drugs Consumption conducted to the General Population and paid with USAID funds. CGR stated that the results of this survey lack scientific rigor in the approach of its methodology and the design of the sample.

CGR identified two internal control significant deficiencies related to (1) pending delivery of products to farmers and (2) absence of monitoring and follow-up of investment projects financed with transfers from DEVIDA to local governments included as counterpart contributions. CGR identified one instance of noncompliance with applicable laws, regulations, and agreement terms related to the questioned costs discussed above.

CGR determined that counterpart contributions were made and accounted for by DEVIDA in accordance with the agreement terms. Additionally, the audit firm determined that the recipient has taken adequate corrective actions on prior audit report recommendations.

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

Recommendation 1. Determine the allowability of \$184,318 in ineligible questioned costs on pages 16 and 18 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that DEVIDA corrects the two significant deficiencies in internal control detailed on pages 27 and 28 of the audit report.

Recommendation 3. Verify that DEVIDA corrects the one instance of material noncompliance detailed on page 42 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach 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").