



MEMORANDUM

DATE: February 26, 2019

TO: USAID/Peru Mission Director, Lawrence Rubey

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

SUBJECT: Closeout Audit of the Regional Government of San Martin's Management of Grant Agreement 527-0426, January 1 to December 31, 2017 (I-527-19-027-R)

This memorandum transmits the final audit report on the Regional Government of San Martin's (GORESAM) Management of Grant Agreement 527-0426, 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 and the Guidelines for Financial Audits Contracted by Foreign Recipients.¹

CGR states that it performed the 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 GORESAM's fund accountability statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.²

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 GORESAM's internal controls; (3) determine whether GORESAM complied with award terms

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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, follows the Guidelines.

² 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.

and applicable laws and regulations (4) determine if cost-sharing contributions were made and accounted for by GORESAM in accordance with the agreement terms; and (5) determine if GORESAM has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, CGR 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 \$1,565,927 in USAID funds for the audited period.

CGR concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited.

CGR identified two material internal control weaknesses related to (1) some expenses were incurred without the approval/authorization of the of board of the directors, (2) some requests for services were issued after the service was contracted or rendered.

CGR did not identify any instances of noncompliance with applicable laws, regulations, and agreement terms.

CGR determined that cost sharing contributions were made and accounted for by GORESAM in accordance with the agreement terms. Additionally, CGR reported that GORESAM had taken corrective actions on six prior audit recommendations, but had not fully implemented three prior audit recommendations.

Additionally, the auditors included a list of the project's non-expendable items without their costs and did not provide any information regarding the final disposition of these assets. We are not making a formal recommendation on this issue, but we ask that the Agreement Officer review this issue as part of the closeout process.

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

Recommendation 1. Verify that GORESAM corrects the two material weaknesses in internal control detailed on pages 23-32 of the audit report.

Recommendation 2. Verify that GORESAM corrects the three prior year auditing findings detailed on pages 14 and 15 of the audit report.

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").