



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: Financial Audit of Comisión Nacional para el Desarrollo y Vida sin Drogas Grant Agreement 527-0426, January 1, 2017, to March 31, 2018 (I-527-19-028-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 the audit in accordance with generally accepted government auditing standards (GAGAS) 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 terms of the award and applicable laws and regulations; (4) determine if cost sharing contributions were made and accounted for by DEVIDA in accordance with the terms of the agreement; and (5) determine if DEVIDA has taken adequate corrective action on prior audit recommendations.

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.

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 \$3,256,938 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. During our review, we identified \$842 in unsupported questioned costs related to expenditures not properly supported for three vendors, which was reported by the firm as an internal control deficiency. Although we are not making a formal recommendation for the \$842 in unsupported questioned costs because the amount is below our threshold, USAID/Peru should review these costs and recover from the recipient the amounts determined to be unallowable.

CGR identified one significant deficiency in internal control related to adequately reviewing supporting documentation for expenditures claimed by employees of the program. 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 DEVIDA in accordance with the agreement terms. Additionally, regarding prior audit report recommendations, CGR determined that the recipient has taken adequate corrective actions on four recommendations, but three recommendations have not been completely implemented.

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

Recommendation I. Verify that DEVIDA corrects the significant deficiency in internal control detailed on pages 24 through 33 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").