



MEMORANDUM

DATE: December 17, 2018

TO: USAID/Colombia Mission Director, Lawrence Sacks

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

SUBJECT: Financial Audit of Patrimonio Natural - Fondo Para la Biodiversidad y Áreas Protegidas' Management of the Conservation and Governance in the Amazon Piedmont of Colombia Project, Cooperative Agreement AID-530-A-13-00004, January 1 to December 31, 2017 (I-530-19-015-R)

This memorandum transmits the final audit report the Conservation and Governance in the Amazon Piedmont of Colombia Project. Patrimonio Natural - Fondo Para la Biodiversidad y Áreas Protegidas contracted with the independent certified public accounting firm BDO Audit S.A. to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed the audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Patrimonio Natural's fund accountability statement; the effectiveness of its internal control; 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

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

Patrimonio Natural's internal controls; (3) determine whether Patrimonio Natural complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by Patrimonio Natural in accordance with the agreement terms; and (5) determine if Patrimonio Natural has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, 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 \$1,892,256 in USAID funds for the audited period.

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.

The audit firm did not identify any material internal control weaknesses or instances of noncompliance with applicable laws, regulations, and agreement terms. However, during our review of the management letter, we noted that the audit firm included one internal control deficiency related to lack of supporting documentation for the cost sharing contributions provided by sub-recipients. The auditors should have included this deficiency as unsupported questioned costs on the cost sharing contributions schedule. Additionally, the auditors did not include a value for these cost sharing contributions. Therefore, we are recommending that the mission determine the amount of questioned costs and if these costs are allowable.

Other than the internal control issue described above, the audit firm determined that cost sharing contributions were made and accounted for by Patrimonio Natural 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/Colombia:

Recommendation 1. Verify that Patrimonio Natural corrects the one significant deficiency in internal control detailed on pages 3 to 4 of the management letter and make a management decision with regards to the allowability of related costs and recover the amounts determined to be unallowable.

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").