



MEMORANDUM

DATE: October 28, 2019

TO: USAID/Peru Mission Director, Lawrence Rubey

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, through Global and Strategic Audits Division (GSAD) Assistant Director, Pamela Hamilton /s/

SUBJECT: Closeout Financial Audit of the Development of Capability and Commitment - Amazonia Reads Project in Peru Managed by Universidad Peruana Cayetano Heredia, Cooperative Agreement AID-527-A-15-00003, January 1 to July 21, 2018 (9-527-20-001-N)

This memorandum transmits the final audit report of the Development of Capability and Commitment - Amazonia Reads project in Peru managed by Universidad Peruana Cayetano Heredia (UPCH). USAID/Peru contracted with the independent certified public accounting firm RSM Panez, Chacaliza & Asociados to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have a continuing education program that fully complies with GAGAS requirements and an external peer review because such program is not offered in Peru. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on UPCH'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 UPCH's internal controls; (3) determine whether UPCH complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by UPCH in accordance with the terms of the agreement; and (5) determine if UPCH 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

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.

related to the project; compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$975,553 of USAID expenditures 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 except for \$7,346 in total ineligible questioned costs. The questioned costs were related to: (1) rental costs charged to project after the expiration date of the agreement totaling \$303, and (2) duplicate indirect costs charged to the project totaling \$7,043. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Peru determines the allowability of the \$7,346 in questioned costs and recover any amount determined to be unallowable.

The audit firm did not identify any material weaknesses in internal control. The audit firm identified two material instances of material noncompliance related to the questioned costs described above. We are not making a formal recommendation on this issue because it is a close-out audit and there are no ongoing agreements with the recipient. The audit firm issued a management letter which included immaterial instances of noncompliance related to closeout procedures.

The audit firm stated that based on their review, nothing came to their attention that caused them to believe that UPCH did not fairly present the Cost Sharing Contributions Schedule, in all material respects, in accordance with the basis of accounting used to prepare the Cost Sharing Contributions Schedule. However, during the desk review we noted a cost sharing shortfall of \$9,225. We are not making a formal recommendation on this issue; however, we bring this to the Mission's attention to assist in the closeout process in order to recover the cost sharing shortfall.

Based on the results of the desk review, OIG is not making any recommendation to USAID/Peru.

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").