



MEMORANDUM

DATE: March 30, 2020

TO: USAID/Brazil Mission Director, Ted Gehr

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

SUBJECT: Financial Audit of the Conservation and Management in Protected Areas: Participatory Biodiversity Monitoring in Amazonian Protected Areas Program in Brazil Managed by Instituto de Pesquisas Ecológicas, Cooperative Agreement AID-512-A-16-00002, January 1 to December 31, 2018 (9-512-20-021-R)

This memorandum transmits the final audit report on the Protected Areas: Participatory Biodiversity Monitoring in Amazonian Protected Areas Program. Instituto de Pesquisas Ecológicas (IPE) contracted with the independent certified public accounting firm Nexia Teixeira Auditores to conduct the audit. The audit firm stated that it performed its 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 IPE'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 IPE's internal controls; (3) determine whether IPE complied with award terms and applicable laws and regulations; (4) determine if cost-sharing contributions were made and accounted for by IPE in accordance with the terms of the agreement; and (5) determine if IPE 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 \$891,863 of USAID expenditures for the audited period.

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.

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 weaknesses in internal control.

The audit firm identified two instances of material noncompliance related to: (1) use of Excel spreadsheets instead of the official accounting records per local law; and (2) audit scope limitation resulting in cost sharing contribution questioned costs totaling \$436,097. The audit firm issued a management letter which included minor internal control deficiencies.

The audit firm disclosed a scope limitation related to the cost sharing contribution. The audit firm stated that they were unable to determine if the cost sharing contribution from the Instituto Chico Mendes' Biodiversity Monitoring System (ICMBio) totaling \$436,097, reported in the cost sharing contribution schedule, were accounted for by IPE in accordance with the terms of the agreements. The audit firm stated that, they were unable to issue a conclusion on the cost sharing contribution schedule and questioned costs of \$436,097 as unsupported. The questioned costs were related to lack of supporting documentation.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated March 30, 2020.

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

Recommendation 1. Verify that IPE corrects the two instances of material noncompliance detailed on pages 27 and 28 of the audit report.

Recommendation 2. Determine the allowability of \$436,097 in unsupported questioned costs on pages 21 and 23 of the audit report and recover any amount that is 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").