



MEMORANDUM

DATE: August 24, 2020

TO: USAID/Brazil Mission Director, Ted Gehr

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, Senior Auditor, John Vernon /s/

SUBJECT: Closeout Financial Audit of the Oil Palm Diversification: Reconciling Conservation with Livelihoods Program in Brazil Managed by Natura Cosméticos S.A., Cooperative Agreement AID-512-A-16-00001, January 1, 2019 to April 17, 2020 (9-512-20-033-R)

This memorandum transmits the final audit report on the Oil Palm Diversification: Reconciling Conservation with Livelihoods Program in Brazil. Natura Cosméticos S.A. (Natura) contracted with the independent certified public accounting firm Mazars Auditores Independentes to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and USAID Financial Audit Guide for Foreign Organizations. However, it did not have a continuing education program that fully complies with GAGAS requirements or an external peer review because such program is not offered in Brazil. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Natura'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 Natura's internal controls; and (3) determine whether Natura complied with award terms and applicable laws and regulations. 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 \$870,471 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 or instances of material noncompliance with applicable laws, regulations, and agreement terms. The audit firm issued a management letter which included a minor internal control deficiency.

Additionally, in note six to the fund accountability statement, the auditors reported an outstanding fund balance of \$16,327 as of the end of the audit period, which had not been refunded to USAID. Additionally, opening cash balances did not match with closing cash balances of the prior audit. The difference between what was reported in the prior year audit and the current audit is \$25,710. The current outstanding fund balance has not been reconciled with the prior year cash balance. 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.

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 August 24, 2020.

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

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").