



MEMORANDUM

DATE: August 31, 2020

TO: USAID/Brazil Mission Director, Ted Gehr

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, Senior Auditor, John Vernon /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, 2019 (9-512-20-036-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 RSM Brasil 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 and 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 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; and (4) 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,

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.

regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$806,134 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.

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 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 \$321,251, 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 \$321,251 as unsupported. The questioned costs were related to lack of supporting documentation.

During our desk review, we noted several 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 31, 2020.

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

Recommendation 1. Determine the allowability of \$321,251 in unsupported questioned costs on page 20 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").