



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: February 1, 2022

TO: USAID/Peru Mission Director, Jene Thomas

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

SUBJECT: Financial Audit of Comisión Nacional para el Desarrollo y Vida sin Drogas in Peru, Grant Agreement 527-0426, January 1, 2019, to December 31, 2020 (9-527-22-013-R)

This memorandum transmits the final audit report on Grant Agreement 527-0426, managed by Comisión Nacional para el Desarrollo y Vida sin Drogas (DEVIDA) and prepared by the Controller General of the Republic of Peru (CGR). CGR signed a memorandum of understanding with the U.S. Agency for International Development (USAID) with the purpose of conducting audits of programs funded with USAID resources in accordance with generally accepted government auditing standards. CGR 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 an external peer review. CGR is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DEVIDA'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 DEVIDA's internal controls; (3) determine whether DEVIDA complied with award terms and applicable laws and regulations; (4) determine if counterpart contributions were made and accounted for by DEVIDA in accordance with the terms of the agreement; and (5) determine if DEVIDA has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, CGR reported that they assessed and tested the internal controls related to the project; assessed and tested compliance with applicable laws, regulations, the agreement's

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.

provisions; and reviewed project expenditures. The audit covered \$10,614,465 of USAID expenditures for the audited period.

CGR 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 \$311,331 in ineligible questioned costs. The ineligible questioned costs were related to: (1) temporary staff hired with USAID funds that were not framed within the objectives of the agreement and other contractors that must have been paid with recipient's funds totaling \$158,250, (2) acquisition of minor baking equipment and complementary goods for producer organizations totaling \$142,422—as of the date of the CGR's review, the equipment had not been used, and (3) goods acquired on August 18, 2020, with USAID funds of \$10,659, found in the DEVIDA's central warehouse without having been distributed as of the date of the CGR's physical inspection.

CGR stated that based on their review, except for ineligible questioned costs of \$744,269, nothing came to their attention that caused them to believe that DEVIDA did not fairly present the counterpart contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the counterpart contributions schedule. The costs were questioned as ineligible because they were not associated with the implementation of the alternative development program (PIRDAIS).

CGR identified five significant deficiencies in internal control and five instances of material noncompliance. Four were related to the questioned costs included in the fund accountability statement and counterpart contributions schedule. The last instance of material noncompliance related to untimely delivery of fertilizers to the participants of the cocoa activity for the agricultural campaign for fiscal year 2020 without considering the agricultural calendar for cocoa. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Peru determine if the recipient addressed the issues noted.

Additionally, CGR determined that the recipient has taken adequate corrective actions on prior audit report recommendations.

During our desk review, we noted several minor issues which CGR should consider when preparing future audit reports. We presented these issues in a memo to the controller, dated February 1, 2022.

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

Recommendation 1. Determine the allowability of \$311,331 in ineligible questioned costs on the fund accountability statement, pages 15 and 17 of the audit report, and recover any amount that is unallowable.

Recommendation 2. Determine the allowability of \$744,269 in ineligible questioned costs on the counterpart contribution schedule, pages 70 and 72 of the audit report, and recover any amount that is unallowable.

Recommendation 3. Verify that DEVIDA corrects the five instances of material noncompliance detailed on pages 45 and 46 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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”).