



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

### MEMORANDUM

**DATE:** May 31, 2024

**TO:** USAID/Peru, Mission Director, Amy Paro

**FROM:** Latin America and Caribbean (LAC) Regional Office, Audit Director, Hannah Maloney /s/

**SUBJECT:** Financial Audit of Comisión Nacional para el Desarrollo y Vida sin Drogas in Peru, Grant Agreement 527-0426, January 1, 2022, to December 31, 2022 (I-527-24-016-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. However, it did not have an external peer review that fully satisfies the standards' requirements. CGR is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DEVIDA's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the period audited, was presented fairly, in all material respects; (2) evaluate the 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 provisions; and reviewed project expenditures. The audit covered \$5,972,760 of USAID expenditures for the audited period.

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<sup>1</sup> 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.

CGR concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$203,394 in ineligible questioned costs. The ineligible questioned costs were related to: (1) acquisition of minor equipment for \$117,646 for five producers' organizations in Tarapoto, which are broken and unused; (2) incomplete installation and disuse of minor equipment purchased at \$60,337 for two producer organizations in the San Juan del Oro area; (3) acquisition of minor equipment for \$21,623 for a cocoa producers' organization in the Tingo María area, which was damaged and is currently not functioning; and (4) maintenance services, equipment repair and purchase of a promotional module for \$3,788 were paid without USAID's approval.

CGR stated that based on their review, except for unsupported questioned costs of \$38,297, 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.

CGR identified one significant deficiency in internal control and five instances of material noncompliance with applicable laws, regulations, and agreement terms. The instances of material noncompliance were related to the questioned costs included in the schedule of expenditures of USAID awards and counterpart contributions schedule. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Peru determine if the recipient addressed the issue noted. CGR issued a management letter which included minor internal control deficiencies.

Additionally, CGR stated that the recipient has not completed corrective actions to address all the prior audit report recommendations.

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

**Recommendation 1.** Determine the allowability of \$203,394 in ineligible questioned costs on the schedule of expenditures of USAID awards, page 17 of the audit report, and recover any amount that is unallowable.

**Recommendation 2.** Determine the allowability of \$38,297 in unsupported questioned costs on the counterpart contribution schedule, page 69 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 33 and 34 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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).