



MEMORANDUM

DATE: April 27, 2018

TO: USAID/Peru, Lawrence Rubey

FROM: Regional Inspector General/San Salvador, Audit Manager, Brad Moore /s/

SUBJECT: Closeout Audit of the Climate Smart Territories Project in Peru Managed by Centro Agronómico Tropical de Investigación y Enseñanza, Cooperative Agreement AID-527-A-15-00006, July 1, 2015, to June 30, 2017 (I-527-18-024-R)

This memorandum transmits the final audit report on the Climate Smart Territories Project. Centro Agronómico Tropical de Investigación y Enseñanza (CATIE) contracted with the independent certified public accounting firm Corpeño y Asociados to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards, except that the audit firm did not have an external peer review. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on CATIE's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

² 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 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 CATIE's internal controls; (3) determine whether CATIE complied with award terms and applicable laws and regulations; and (4) determine if cost-sharing contributions were made and accounted for by CATIE in accordance with the agreement terms. 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 \$857,517 in USAID funds for the period ended December 30, 2017.

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. However, during our review of the notes to the fund accountability statement we noted that the recipient requested VAT reimbursements for \$12,725. The audit firm stated that VAT reimbursements totaling \$12,725 have not been received by the recipient from the Internal Revenue Office. The audit report states that the recipient must pay VAT tax when goods are purchased and then request reimbursement from the Government's Internal Revenue Authorities. Given that this is a closeout audit, we ask the mission to verify that the balance of \$12,725 in VAT reimbursements is returned to the mission as required.

The audit firm did not identify any material internal control weaknesses or instances of noncompliance with applicable laws, regulations, and agreement terms.

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

Recommendation I. Verify that Centro Agronómico Tropical de Investigación y Enseñanza reimburses USAID the value added tax totaling \$12,725 included on page 18 of the audit report.

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").