



MEMORANDUM

DATE: September 30, 2019

TO: USAID/Brazil Mission Director, Michael J. Eddy

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, through Global and Strategic Audits Division (GSAD) Assistant Director, Pamela Hamilton /s/

SUBJECT: Financial Audit of the Territorial and Environmental Engagement of Indigenous Lands in the South of the Amazonas State Program, Managed by Instituto Internacional de Educação do Brasil, Cooperative Agreement AID-512-A-17-00001, January 1 to December 31, 2018 (9-512-19-045-R)

This memorandum transmits the final audit report on the Territorial and Environmental Engagement of Indigenous Lands in the South of the Amazonas State program. Instituto Internacional de Educação do Brasil (IEB) contracted with the independent certified public accounting firm Mazars Auditores Independentes to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

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 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 IEB'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 IEB's internal controls; (3) determine whether IEB complied with award terms and 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.

and regulations; and (4) determine if cost-sharing contributions were made and accounted for by IEB in accordance with the terms of the agreement. 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 \$854,217 of USAID funds 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 some minor internal control deficiencies.

The audit firm stated that based on their review, nothing came to their attention that caused them to believe that IEB did not fairly present the Cost Sharing Contributions Schedule, in all material respects, in accordance with the basis of accounting used to prepare the Cost Sharing Contributions Schedule.

According to the agreement standard provisions, revision of award budget, the recipient should get the Agreement Officer approval before making budget shifts that exceed 10 percent of the total budget. We noted that the fund accountability statement included budget overruns that exceeded 10 % of the total budget. We are not making a formal recommendation on this issue; however we bring this to the Agreement Officer's attention to verify that the recipient addressed the issues noted.

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").