



PROFONANPE

**PROJECT "FOREST AND FIRE MANAGEMENT IN SOUTH
AMERICA2
COOPERATIVE AGREEMENT 23-IC-11132762-068**

**FINANCIAL AUDIT OF THE EXPENSE SCHEDULE
PERIOD FROM 12 DECEMBER 2022 TO 30 SEPTEMBER
2024**

**PROFONANPE
PROJECT "FOREST AND FIRE MANAGEMENT IN SOUTH AMERICA"
COOPERATIVE AGREEMENT 23-IC-11132762-068**

**FINANCIAL AUDIT OF THE EXPENSE SCHEDULE
PERIOD FROM DECEMBER 12, 2022 TO DECEMBER 30, 2024 SEPTEMBER**

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**AUDIT OF THE EXPENSE SCHEDULE
PERIOD FROM 12 DECEMBER 2022 TO 30 SEPTEMBER 2024**

EXECUTIVE SUMMARY

Mr. Anton Willems
Chief executive officer
REPORT
Av. Parque Gonzales Prada N°396
Magdalena del Mar.-

We are pleased to submit for your consideration the executive summary related to the financial audit of the Schedule of Expenditures of the USAID/USFS resources administered by PROFONANPE, in relation to the execution of the activities of the **Project "Forest and Fire Management in South America"** - Cooperation Agreement for the Federal Financial Assistance Grant 23-IC-11132762-068, for a period from December 12, 2022 to September 30, 2024.

1. BACKGROUND OF THE EXECUTING ENTITY AND THE PROJECT

OF THE EXECUTING ENTITY

PROFONANPE is a non-profit private law institution, established by Decree Law No. 26154 of September 29, 1992, with the purpose of administering the National Fund for Natural Areas Protected by the State (FONANPE) and enjoys its own legal existence and legal personality. In accordance with the provisions of Article 181.1 of the Regulations of the Law on Natural Protected Areas (Supreme Decree No. 038-2001-AG), PROFONANPE is responsible for capturing, channeling and allocating the complementary resources required to contribute to the conservation, protection and management of the Natural Protected Areas included in the aforementioned Regulations.

PROFONANPE's mission is to manage collaborative projects that have a positive impact on the environment and people.

PROFONANPE as a non-profit institution is registered and registered in:

- The National Superintendence of Customs and Tax Administration – SUNAT, RUC 20261430470: Registry of entities receiving donations.
- The Peruvian Agency for International Cooperation (APCI): Register of non-governmental development organizations receiving international technical cooperation of indefinite validity.

PROJECT HISTORY

The "Forest and Fire Management in South America" Project is a technical cooperation project between USAID and the U.S. Forest Service, which seeks to: ensure that the Peruvian Government can achieve its objectives in the fight against deforestation and climate change and the protection of biodiversity in important geographic areas, including the Amazon rainforest.

On December 12, 2022, the United States Forest Service - USFS and PROFONANPE signed a Cooperation Agreement for the Federal Financial Assistance Grant 23-IC-11132762-068, with



the objective of managing the project's financial resources and providing logistical support for the execution of the activities included within the **"Forest and Fire Management in South America" Project**.

Based on this agreement, PROFONANPE was granted the total amount of US\$ 2,267,476, for the execution of the Project, from December 12, 2022 to September 30, 2024.

Project Objective

This Project has the planned objectives of improving the legal framework in Peru, making information more transparent to the public, building capacities in forest sector institutions, and enhancing the capacity of the Peruvian Forest Service (SERFOR) to carry out strategic planning to highlight its leadership in the sector. The agreement is designed to provide joint expertise from both PROFONANPE and FOREST to make the Peruvian sector more modern and inclusive.

Project Cost and Financing

The cost and financing of the Project for the period from December 12, 2022 to September 30, 2024, has been as follows:

	Components	From December 12, 2022 to September 30, 2023	From October 1, 2023 to September 30, 2024	Total
0	Financial administration - direct costs	99,526	119,953	219,479
1	Strengthening National Agencies	37,142	93,907	131,049
2	Strengthening of land management at the subnational level	116,674	166,404	283,078
3	Solutions based on the market	133,802	170,639	304,441
4	Applied research for climate and forests	51,654	71,187	122,841
5	Young leaders for climate and forest	30,579	68,315	98,894
6	Communications / Monitoring, Evaluation, and Learning	113,279	213,412	326,691
7	Improving fire management and response capacity in the Amazon	35,853	60,995	96,848
8	Reforestation and restoration	1,558	66,103	67,661
9	Support for USFS activities in Peru	6,454	185,386	191,841
	Totals	626,521	1,216,301	1,842,823



Project Sector, Subsectors and Indicators

In accordance with Grant Agreement No. 23-IC-11132762-068, the resources granted by USAID are for the fulfillment of the objectives and indicators of the Project Sector and Subsectors, which are set out in the following table:

Name of sub-sector 1	Strengthen national and regional forest governance, promoting multi-use forest management for climate change mitigation.
Multisectoral coordination for the prevention of illegal logging	<p>FOREST provides technical assistance and supports national and subnational coordination efforts for the Executive Board for the Development of the Forest Sector and the Executive Board for the Development of the Peruvian Amazon of the MEF, and the Permanent Multisectoral Commission against Illegal Logging (CMLTI).</p> <p>FOREST played a crucial role in supporting the CMLTI, facilitating decentralized meetings and field visits in Loreto, Ucayali and San Martín. These efforts led to important agreements, including the establishment of a new timber yield percentage, increased joint inspections by OSINFOR and regional authorities, and better data sharing for ongoing joint operations. These actions improve traceability, transparency and accountability in forest management.</p> <p>. As a result of high-level government coordination, better data analysis and targeted technical assistance, there was a reduction in the percentage of false information in forest management plans, as measured by OSINFOR, to curb the volume of illegally sourced timber. In addition, technical assistance helped reduce unauthorized timber extraction, the volume of which fell to 1,412 cubic meters in the first half of 2024 (100% in Loreto, 0% in Madre de Dios and Ucayali), representing a 95% decrease from the previous year.</p>
Improved wood management documentation	<p>FOREST held workshops to address backlogs in forest management documentation, producing a regulatory matrix to identify and address obstacles. This matrix is a tool to support the process of reducing approval times for timber management plans and improving the efficiency of inspections, benefiting the timber supply chain and market availability.</p> <p>Using the matrix as a guide, FOREST provided technical assistance to SERFOR in drafting regulations to reduce approval times for timber harvesting management plans. While current law calls for a 90-day approval period for all types of plans, the private sector has advocated for a reduction to 30 days.</p>
Collaborative research and academic partnership.	The program advanced knowledge sharing between government, the private sector, and



	academic stakeholders, establishing the UniBosques Alliance led by North Carolina State University and Lima-based Universidad Nacional Agraria Molina. In addition, the courses offered by the National University of the Peruvian Amazon based in Loreto improved efficiency in forest concession assessments, benefiting native communities through the use of Vector software. These partnerships strengthen the scientific basis for policymaking and operational decision-making.
Name of subsector 2	Strengthen the institutional capacities of national and regional forest and environmental authorities, as well as other strategic actors, for the sustainable use of forests and the mitigation of climate change.
Strategic planning and budget execution.	FOREST provided technical assistance to the REGIONAL Forestry and Wildlife Authorities (ARFFS) in Loreto, Ucayali and Madre de Dios, significantly improving budget execution for forest management under Budget Program 0130. With US\$11.7 million in 2024, the ARFFS awarded 185 forest titles for 236,762 ha and approved 352 management plans for 213,000 ha. They carried out 320 prior visual inspections and 268 CTP inspections, and provided technical assistance to 20 native communities to access the compensation program for 113,754 ha. These actions strengthen regional capacities to meet conservation objectives and improve operational planning of forest concessions.
Climate Change Functional Unit	FOREST helped SERFOR develop a dossier to create a Climate Change Functional Unit, establishing SERFOR's role in climate change adaptation and forest ecosystem services. This will incorporate responsibilities on climate change within SERFOR's core functions, aligning with Peru's commitments under the Nationally Determined Contribution (NDC) measures.
Regional capacity building	Technical assistance focused on building regional structures for forest and wildlife management, particularly in Loreto, where FOREST helped justify a budget to establish new management units. These units aim to streamline services for forest users and improve administrative efficiency. In addition, FOREST worked with Loreto ARFFS to develop automated systems using Google Earth Engine for real-time monitoring of forest conservation areas. This technology enables the detection of disturbances in forests under conservation, providing critical information to manage compliance and maintain forest cover.
Capacity Building in Forest Carbon Management	Through forest carbon management courses, more than 73 professionals were given skills to manage carbon projects, enabling authorities to better meet NDC commitments.



Carbon Monitoring	Silva Carbon offered substantial support to Peruvian forestry agencies, especially SERFOR, to improve the accuracy of forest carbon data. This included training on using Google Earth Engine to map key forest indicators such as tree cover, volume, and biomass, helping SERFOR staff strengthen their skills in remote sensing and data analysis. In addition, Silva Carbon advised MINAM on refining methods for estimating forest emissions and creating a system to include local forestry projects in Peru's national monitoring and reporting efforts. This work included better methods for estimating deforestation rates, which are critical for Peru to meet its climate goals.
Peatland mapping and emissions estimates	SWAMP supported the mapping of mountain peatlands, helping INAIGEM, the highest authority on scientific research of glaciers and mountain ecosystems in Peru, to develop a national inventory of these ecosystems. This collaboration included sharing methodologies and initiating field validation in regions such as Ancash, enhancing Peru's capacity to monitor and conserve its peatlands, which are important carbon sinks. SWAMP conducted studies on greenhouse gas emissions from traditional peat harvesting and livestock activities. These findings will provide the basis for emission factors that can be incorporated into Peru's NDCs, allowing for better-informed strategies on climate change mitigation in these critical ecosystems.
Improving interoperability and transparency of forest data	FOREST advanced the integration of forest information systems by establishing geospatial interoperability between OSINFOR, the Ucayali Spatial Data Infrastructure and SERFOR's GEOSERFOR portal. This facilitates efficient data sharing, improves traceability and tracking, and supports coordinated responses to illegal logging. Three regional forest statistics platforms were put into operation, integrated into the National Forest and Wildlife Information System (SNIFFS) of SERFOR. The ARFFS of Loreto, Ucayali and Madre de Dios now have R-based algorithms to generate automated reports, allowing for more consistent and transparent monitoring across forestry operations.
Empowering Indigenous Communities for Sustainable Forest Management	FOREST helped implement a pilot of Environmental Management Declarations (DEMA) in Loreto and Ucayali, significantly reducing the evaluation times of management plans. Although approval rates varied, the project simplified processes for Native communities. In addition, OSINFOR launched a fine compensation program with 10 native communities of Loreto and Ucayali, which will involve the conservation of 15,000 hectares in five years. This initiative promotes forest



	management and provides financial incentives for sustainable forestry practices, strengthening community participation in conservation.
Name of subsector 3	Implement initiatives to strengthen the competitiveness of the value chains of timber and non-timber products and ecosystem services.
Better forest management tools for climate change mitigation	FOREST supported SERFOR in updating agroforestry and forest carbon regulations, conducting an Ex Ante Regulatory Impact Analysis to incorporate ecosystem services. The proposed amendments address legal frameworks for forest carbon projects, with the aim of formalizing sustainable practices among small and medium-sized producers. In addition, FOREST worked with OSINFOR to improve monitoring tools, including machine learning-based methods for selective log detection. Training sessions were held with the USFS Center for Geospatial Applications and Technology (GTAC) on tools such as Google Earth Engine and Python to ensure continuous and effective monitoring.
Financial access for sustainable economic activities	FOREST collaborated with the Ministry of Production and AGROIDEAS to integrate environmental criteria into the PROCOMPITE law, promoting environmental economic and gender-inclusive initiatives. A feasibility study of forest carbon credits found that regulatory adjustments could further incentivize forest carbon projects, improving investment in concessions to meet climate goals. In coordination with multiple agencies, FOREST organized workshops that reached more than 340 participants in Loreto, Ucayali, and Madre de Dios, improving access to loans and grants through programs such as Agro Peru and AGROIDEAS. Significant financial support was provided to indigenous communities, including loans for non-timber products such as aguaje, which directly benefited hundreds of local families.
Supported market for forest products	FOREST helped the regional government of Ucayali develop technical standards for school furniture from sustainable local wood worth US\$8.1 million and benefited 293 schools. At the national level, FOREST worked with SERFOR and CITE forestal Pucallpa to update wooden furniture standards, obtaining approval from PERUCOMPRAS and facilitating greater market access for regional forestry companies. In addition, FOREST facilitated trade agreements for Amazonian non-timber products, establishing partnerships with companies such as Candela and Natura. These efforts improve forest product value chains and promote sustainable and fair trade practices, benefiting native communities.



Promoting research and scientific knowledge	FOREST and Silva carbon supported studies on species conservation and sustainable forest management. Population assessments of CITES-listed species, such as shihuahuaco and tahuarí, and research on underutilized timber species with the Center for Innovation and Technology Transfer (CITE) and UNAP students, provide vital data for conservation and informed forest policy decisions. FOREST formalized a partnership with North Carolina State University and UNALM, promoting research on sustainable forest management among students and professors from Amazonian universities. A call for proposals was launched in September to fund 15 undergraduate theses from UNAMAD, UNU and UNALM. Specialists from USFS, the CITE network, and NGO partners provided mentoring support to students during this process.
Empowering Youth Leaders	21 young leaders from indigenous communities participated in a mentorship program focused on environmental challenges, culminating in six project proposals. Participants acquired technical and social skills, with the support of USFS experts and local NGOs. FOREST and SERFOR also trained 164 young people in professional ethics. In partnership with the "RETO PERU TEC" program of the Ministry of Production, 40 young people from Ucayali developed innovative proposals for the sustainable development of the region. The winner received \$2,700 to develop the first prototype, a platform that brings together producers and buyers of wood products.

Project Beneficiaries

According to the technical area of the project Donation Agreement No. 23-IC-11132762-068, the direct and indirect beneficiaries according to the Project Subsectors are shown in the following table:



Type	Sub sector	Details	No. People
Direct Beneficiaries	Regulation to facilitate the use and application of forestry legislation	Sensitized population	211
		Trained population	0
		Trained young leaders	0
	Promote transparency, availability and use of information	Sensitized population	1,810
		Trained population	370
		Trained young leaders	0
	Strengthening technical and management capacities in the Forestry Sector for working with concessions and communities	Sensitized population	2,847
		Trained population	745
		Trained young leaders	290
TOTAL DIRECT BENEFICIARIES			6,273

Project Execution Period

The execution period of the Project, in accordance with the provisions of the Grant Agreement, was from December 12, 2022 to September 30, 2024, USAID, at the request of the United States Forest Service - USFS, has extended the end date of the aforementioned agreement until December 1, 2027.



2. OBJECTIVES AND SCOPE OF THE AUDIT

OBJECTIVES

The objectives of the financial audit of the "Forest and Fire Management in South America" Project for the period from December 12, 2022 to September 30, 2024, are the following: and

- a) To issue an opinion on whether the Project Expense Schedule presents fairly, in all material respects, the revenues received and costs incurred, during the audited period, in accordance with the terms of the agreement and with generally accepted accounting principles or other comprehensive accounting basis.
- b) Issue a report regarding the adequacy of the internal control structure of the executing entity in relation to the Project.
- c) Issue a report on compliance with the terms of the Agreement, Applicable Laws and Regulations.

SCOPE

The audit of the Project Expense Schedule for the period from December 12, 2022 to September 30, 2024 was carried out in accordance with the Generally Accepted Government Auditing Standards – GAGAS.

PROCEDURES APPLIED

The audit procedures applied to each of the objectives of the financial audit of the Project are as follows:

Previous audit steps:

We reviewed the Cooperation Agreement 23-IC-11132762-068 signed between the United States Forest Service – USFS and PROFONANPE, assigned budgets, contracts with third parties, execution letters, approved written procedures, financial and progress reports of the Project, charts of accounts, functional organizational structure, regulations on acquisitions, descriptions of accounting systems; procurement policies and procedures, among others.

Audit planning

We carry out our audit planning containing the key aspects to be evaluated in relation to each of the audit objectives (CFR 200):

Expense Certificate

- ✓ We examined the Schedule of Expenditures of the "Forest and Fire Management in South America" Project, including the budgeted amounts by category and important items, the revenues received and the costs reported by the beneficiary, as incurred during the period, the goods acquired. and auditado
- ✓ We verify that the income received minus the costs incurred, after considering reconciliation items, reconcile with the cash and bank balance.
- ✓ We verify that the Expense Schedule identifies applicable revenues and costs and we evaluate the actions for the execution of the Project and identify areas where fraud may have occurred as a result of inadequate internal controls, for this:
 - We review the direct and indirect costs, reimbursed and pending reimbursement, identifying and quantifying the incorrect ones according to the terms of the agreement that are reported as questioned and identified in the notes to the Expense Sheet.
 - We reviewed the Project's general ledger and books to determine if the costs incurred were properly recorded and reconciled.



- We review procedures for controlling funds, including channeling them to financial institutions, reviewing bank account controls, and performing positive confirmation of balances if necessary.
- We determined whether the advances were justified with documentation, including reconciliation.
- We verified that the funds received by PROFONANPE are recorded in the accounts and were periodically reconciled with information from the cooperating partner.
- We review procurement procedures to determine if sound business practices have been implemented that include competition, reasonable prices and adequate controls on the quality and quantities received.
- We review direct salary charges and determine if the rates are reasonable for the position, as approved by the cooperating entity.
- We determine whether overtime, bonuses, and other benefits received by employees are acceptable under the terms of the agreement, laws, and regulations; charges for non-allowable salaries are questioned in the Expense Sheet.
- We review that travel and transportation expenses, to determine if they are documented and approved, those that are not in accordance with the provisions of the agreement and regulations; are questioned in the Expense Certificate.
- We review whether the goods exist and were used under the terms of the agreement, the control procedures to safeguard them, and whether the cost of goods according to the supporting documentation is appropriate.
- We reviewed the technical assistance and service contracts made by PROFONANPE, to determine if they were used according to the terms of the agreement; those who do not comply with these terms are questioned in the Expense Certificate.

Internal Control

- ✓ We obtained a sufficient understanding of PROFONANPE as the executor of the Project and its environment, including its internal control, to assess the risk of material distortions in the Expenditure Schedule due to errors or fraud and to design the nature and scope of additional audit procedures.
- ✓ We prepare the required report, identifying any significant deficiencies or material weaknesses in the design or operation of the internal control.
- ✓ We verify that the important components of internal control to be evaluated include, but are not limited to, controls related to each income and expenditure account in the Expense Schedule.
- ✓ We evaluate the inherent risk and control risk, determining the detection risk according to the evaluation of the control environment and the adequacy of the accounting system, emphasizing the relevant policies and procedures for recording, processing, summarizing and reporting financial information consistent with the assertions contained in each account of the Expense Schedule



Compliance with the Terms of Agreement, Applicable Laws and Regulations.

To determine compliance with the terms of the Agreement, Applicable Laws and Regulations related to the Project, we apply the following audit procedures:

- ✓ We identify the terms of the Agreement, the relevant Laws and Regulations, which, if breached therein, could have a direct and material effect on the Expense Schedule.
- ✓ We verify whether the funds received and disbursements have been made in accordance with the terms of the Agreement, the Regulations and Applicable Laws.
- ✓ We verify that the funds have been spent in accordance with the applicable terms of the Agreement, if not, they have been questioned on the Expense Sheet.
- ✓ We determine if the goods were acquired by PROFONANPE for the use of the Project and verify if they exist or were used for the purposes established in the terms of the Agreements.
- ✓ We determine whether those who received the services and benefits of the Project are eligible to receive them in accordance with the provisions of the Agreements.
- ✓ We determine whether PROFONANPE maintains advances of funds from the cooperating entity in interest-earning accounts and whether it sent the cooperating entity any interest earned on advances.

Other Audit Responsibilities

- i) We will hold audit start and end meetings with project staff, notifying the cooperating party so that if he considers that his representatives are present.
- ii) In the planning stage of the audit, we communicate to PROFONANPE the nature, scope of tests and presentation of the report on compliance with internal control laws and regulations.
- iii) We establish quality control procedures to ensure that appropriate and sufficient evidence is obtained to provide a reasonable basis for forming an opinion on the Expenditure Schedule under audit.

Letter of Representation from the Administration of PROFONANPE

We will obtain a letter of representation from PROFONANPE in accordance with SAS No. 85 (AU333) of the AICPA signed by the executive management of PROFONANPE.

3. AUDIT RESULTS

As a result of the application of the audit procedures, in relation to each of the objectives of the financial audit of the "Forest and Fire Management in South America" Project for the period from December 12, 2022 to September 30, 2024, a project financed with resources from the Cooperation Agreement for the Federal Financial Assistance Grant 23-IC-11132762-068 signed between the United States Forest Service - USFS and PROFONANPE, for the period from December 12, 2022 to September 30, 2024, we can conclude:



Report on the Expenditure Schedule

We have issued an unqualified opinion on the Schedule of Expenditures of the "Forest and Fire Management in South America" Project, for the period from December 12, 2022 to September 30, 2024, because it reasonably presents, in all its material aspects, the revenues and costs incurred and reimbursed in accordance with the terms of the Cooperation Agreement for the Federal Financial Assistance Grant 23-IC-11132762-068 signed between USFS and PROFONANPE and the accounting basis described in Note 2a of the aforementioned Certificate.

Questionable Costs

In the process of executing the audit of the Schedule of Expenses of the "Forest and Fire Management in South America" Project, for the period from December 12, 2022 to September 30, 2024, we did not determine ineligible and unsupported costs that could be considered as questionable costs.

Report on the Structure of Internal Control

As part of the financial audit of the Schedule of Expenses of the "Forest and Fire Management in South America" Project for the period from December 12, 2022 to September 30, 2024, we evaluated PROFONANPE's Internal Control in relation to the execution of the activities of the Project components, to obtain a sufficient understanding of the design of the relevant control policies and procedures and whether those policies and procedures have been put into practice, as a result of which we do not identify significant deficiencies or material weaknesses.

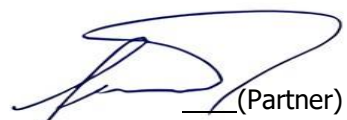
Report on compliance with the terms of the Cooperation Agreement, applicable laws and regulations

As part of obtaining reasonable assurance that the Expense Schedule is free from material errors, we conducted our tests on compliance with the Terms of Agreement, Applicable Laws and Regulations relating to the "Forest and Fire Management in South America" Project, the results thereof revealed no instances of non-compliance that could have a direct and material effect on the Expense Schedule. for the period from December 12, 2022 to September 30, 2024.

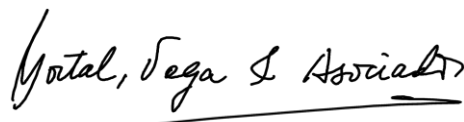
4. COMMENTS FROM PROFONANPE'S ADMINISTRATION

The Administration of PROFONANPE, as the executing entity of the "Forest and Fire Management in South America" Project, took cognizance of the content of the financial audit report of the Project, for the period from December 12, 2022 to September 30, 2024, expressing its agreement on the content of the same.

Lima, Peru
February 28, 2025
Endorsed by:



(Partner)
Johnny Wilfredo Mires Dávila
Chartered Public Accountant
Registration No. 1987



**OPINION OF THE INDEPENDENT AUDITORS
ABOUT THE EXPENSE CERTIFICATE**

To the Executive Director of PROFONANPE

1. We have audited the Schedule of Expenses of the "Forest and Fire Management in South America" Project financed with resources from Cooperation Agreement No. 23-IC-11132762-068 signed between the United States Forest Service – USFS and PROFONANPE, for the period from December 12, 2022 to September 30, 2024. The preparation and presentation of the Expense Certificate is the responsibility of the administration of PROFONANPE. Our responsibility is to express an opinion on this Expense Sheet, based on our audit.
2. We do not have a continuing education program that fully satisfies the requirement set forth in the Generally Accepted Government Auditing Standards – GAGAS. However, our current program provides at least 160 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We do not have an external quality assurance review program by an unaffiliated auditing organization as required by the Generally Accepted Government Auditing Standards – GAGAS. We believe that the effects of this deviation from GAGAS are not material because we participate in the internal quality control program by Kreston Global. This program requires our firm in Peru to undergo extensive quality review by partners and managers from other Kreston Global member offices; the same that is carried out every two years.

3. Our audit of the Project Expense Schedule was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States of America. These standards require us to plan and conduct the audit to obtain reasonable assurance that the Project Expense Schedule is free from significant errors. An audit includes examining, based on selective testing, the evidence supporting the amounts and disclosures in the Project Expense Schedule. An audit also includes evaluating the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached Schedule of Expenses reasonably presents, in all its material aspects, the income and costs incurred and reimbursed from the "**Forest and Fire Mangement in South America**" and Project financed with resources from Cooperation Agreement No. 23-IC-11132762-068 signed between the United States Forest Service – USFS and PROFONANPE; for the period from December 12, 2022 to September 30, 2024, in accordance with the terms of the agreement and the accounting basis described in Note 2a.

4. In accordance with the Generally Accepted Government Auditing Standards - GAGAS issued by the Comptroller General of the United States of America, we have also issued our report dated February 28, 2025, on our consideration of PROFONANPE's internal control, on the financial report and our tests of compliance with certain provisions of laws and regulations. This report is an integral part of an audit conducted in accordance with the Government Auditing Standards of the United States of America and should be read in conjunction with this independent auditor's report when considering the results of our review.

5. This report is intended for the knowledge of PROFONANPE and the United States Forest Service – USFS. However, once published by USFS, this report is a matter of public interest and its distribution will not be restricted.

Lima, Peru
February 28, 2025
Endorsed by:

Portal, Vega & Asociados



(Partner)
Johnny Wilfredo Mires Dávila
Chartered Public Accountant
Matricula N° 1987

REPORT
PROJECT "FOREST AND FIRE MANAGEMENT IN SOUTH AMERICA"
COOPERATION AGREEMENT 23-IC-11132762-68

FINANCIAL AUDIT OF THE EXPENSE SCHEDULE
FOR THE PERIOD FROM DECEMBER 12, 2022 TO SEPTEMBER 30, 2024

	Budget US\$	Real US\$	Questioned costs		Note
			Ineligible US\$	Undocumented US\$	
REVENUE					
Cash available as of December 12, 2022					
USFS Funds Received	2,267,476	2,267,476	-	-	
Total revenue	2,267,476	2,267,476	-	-	3
COSTS INCURRED					
Components					
00. Financial Management – Direct Costs	219,479	219,479	-	-	
01. Strengthening National Agencies	131,049	131,049	-	-	
02. Strengthening of land management at the subnational level	283,078	283,078	-	-	
03. Solutions from the market	304,441	304,441	-	-	
04. Applied research for climate and forests	122,841	122,841	-	-	
05. Young Leaders for Climate and Forest	98,894	98,894	-	-	
06. Communications/Monitoring, Evaluation, and Learning	326,691	326,691	-	-	
07. Improving fire handling and response capacity	96,848	96,848	-	-	
08. Reforestation and restoration	67,661	67,661	-	-	
09. Support for USFS activities in Peru	191,841	191,841	-	-	
Total costs incurred	1,842,823	1,842,823	-	-	4
Operations to be Regularized		(6,743)			5
Cash available as of 30.09.2024		417,910			2



**REPORT
PROJECT "FOREST AND FIRE MANAGEMENT IN SOUTH AMERICA"
COOPERATIVE AGREEMENT 23-IC-11132762-068**

**AUDIT OF THE EXPENSE SCHEDULE
PERIOD FROM 12 DECEMBER 2022 TO 30 SEPTEMBER 2024**

NOTES TO THE EXPENSE SHEET

1. ACCOUNTING PRINCIPLES AND PRACTICES

The accounting principles and practices adopted by PROFONANPE in the registration of its operations and in the preparation of financial information are summarized below:

a. Accounting Bases

The Expenditure Schedule was prepared in all its important aspects, in accordance with the accounting basis of modified cash, by which income is recorded when funds are received and expenses when money is actually disbursed. This accounting practice differs from generally accepted accounting principles, according to which transactions should be recorded as they are incurred and not when they are paid, in addition to the recording of certain provisions at the end of the period.

b. Bases of Budget Preparation

The budget of the Project presented in the Schedule of Expenses has been approved by USFS. This budget is expressed in U.S. dollars (US\$).

c. Monetary Unit

Project records are kept in U.S. dollars according to USFS requirements.

d. Exchange rate

For the preparation of the Schedule of Expenditures, the income corresponds to the transfers of funds in United States Dollars made by USFS and the execution of the expenses occurred in the same currency, and the expenses in Soles (S/) are converted into United States Dollars (US\$) based on the exchange rate of the date on which each transaction occurred according to SBS. During the period under review, there have been no restrictions on remittances of foreign currency by the Peruvian Government.

e. Funds transfers

The USAID/USFS funds were transferred periodically according to the needs of the execution of the Project and deposited in the Current Account US\$ N° 191-9927377-1-43 opened by PROFONANPE at the Banco de Crédito del Perú. (See note 3).

f. Settlement of costs incurred

In accordance with the procedures established by USFS, for the application and submission of funds, PROFONANPE sends a monthly summary of the commitments by category of expenses, which include the general sales tax.

g. Financial Management

Financial management for the period from December 12, 2022 to September 30, 2024 was 10% per year.

h. Tax aspects

PROFONANPE is a non-profit institution, which is exempt from income tax according to Article 19 of the Single Harmonized Text of the Income Tax Law. PROFONANPE is a withholding agent for the income of the 4th, 5th and General Sales Tax.



2. AVAILABLE FUND

As of September 30, 2024, the cash available from the Federal Financial Assistance Grant Cooperative Agreement 23-IC-11132762-068, is comprised of the following balance:

Credit Bank of Peru:	US\$
Current Account US\$ 191-2492903-0-36	19,506
Current Account US\$ 191-2492903-0-36	398,404
	<u>417,910</u>

3. FUNDS RECEIVED USFS

During the period from September 12, 2022 to September 30, 2024, PROFONANPE has received funds from USFS in relation to the Cooperative Agreement for the Federal Financial Assistance Grant 23-IC-11132762-068, for a total amount of US\$ 2,267,476, as detailed below:

<u>Date</u>	<u>Consignmet</u>	<u>US\$</u>
19.01.2023	01	534,483
20.06.2023	02	560,296
08.09.2023	03	329,953
13.12.2023	04	472,560
18.07.2024	05	370,184
		<u>2,267,476</u>

4. COSTS INCURRED

The costs incurred in the execution of the Project activities, for the period from December 12, 2022 to September 30, 2024, are as follows:

CATEGORIES	DENOMINATION	From December 12, 2022 to September 30, 2023 US\$	From October 1, 2023 to September 30, 2024 US\$	Total US\$
2	Equipment and supplies (a)	1,613	3,969	5,582
3	Contractual (b)	242,622	507,329	749,951
4	Other direct costs ©	69,487	116,671	186,158
5	Cost of the workshop and meeting (d)	157,048	222,649	379,697
9	Agreement €	-	143,762	143,762
11	PROFONANPE OH (10%)(f)	99,526	119,954	219,480
13	Travel and transportation (g)	56,225	101,968	158,193
	TOTAL	<u>626,521</u>	<u>1,216,302</u>	<u>1,842,823</u>

- (a) They are made up of the purchase of ergonomic chairs, drones, biometric access control, among others.
- (b) They correspond to contracts and/or agreements signed by PROFONANPE in order to assist through methodologies the evaluation of training, consultancies and technical assistance that have been necessary in order to meet the need of the Project.



- (c) They are related to expenses incurred for office rental, remodeling, printing services, basic services and among others.
- (d) They are related to costs incurred in tickets, studies of the forestry production conglomerate, accommodation for workshops, courses, travel expenses and technical assistance, to meet the need of the Project.
- (e) They are made up of the disbursements in relation to the SPDA-PROFONANPE Donation Agreement, CEDIA II Agreement and Ciudad Viva periphery.
- (f) They are mainly made up of contributions to the institutional management of Forest & Fire.
- (g) They are related to expenses incurred in tickets, accommodation, food, in the monitoring and supervision of technical assistance in planning for the development of protocols and interventions.

5. OPERATIONS TO BE REGULARIZED

As of September 30, 2024, the operations to be regularized are made up of:

Concept:	US\$
Difference in change	(7,575)
Other (Settings)	832
	<u>(6,743)</u>





REPORT OF THE INDEPENDENT AUDITORS ON INTERNAL CONTROL

To the Executive Director of PROFONANPE

1. We have audited the Schedule of Expenses of the "Forest and Fire Management in South America" Project, financed with resources from the Cooperation Agreement for the Federal Financial Assistance Grant 23-IC-11132762-068 signed between the United States Forest Service – USFS and PROFONANPE, for the period from December 12, 2022 to September 30, 2024, and we have issued our report on it dated February 28, 2025.
2. We do not have a continuing education program that fully satisfies the requirement set forth in the Generally Accepted Government Auditing Standards – GAGAS. However, our current program provides at least 160 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We do not have an external quality assurance review program by an unaffiliated auditing organization as required by the Generally Accepted Government Auditing Standards – GAGAS. We believe that the effects of this deviation from GAGAS are not material because we participate in the internal quality control program by Kreston Global. This program requires our firm in Peru to undergo extensive quality review by partners and managers from other Kreston Global member offices; the same that is carried out every two years.

3. We conduct our audit in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States of America. In planning and executing our audit, we consider PROFONANPE's internal control over financial information as the basis for designing our audit procedures for the purpose of expressing our opinion on the Project Expense Schedule, but not for the purpose of expressing an opinion on the effectiveness of PROFONANPE's internal control. Therefore, we do not express an opinion on the effectiveness of the entity's internal control.
4. A deficiency in internal control exists when the design of a control does not allow management or its employees, in the normal course of their assigned functions, to avoid or detect and correct errors in a timely manner. A material weakness is a deficiency, or a combination of deficiencies, in internal control, and there is a reasonable possibility that a material misstatement in the entity's financial statements will not be prevented and corrected in a timely manner.
5. Our consideration of internal control was limited to the purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that could be significant or material weaknesses. We do not identify deficiencies in internal control that we consider to be material weaknesses, as defined above.



6. This report is intended for the knowledge of PROFONANPE and the United States Forest Service – USFS. However, once published by USFS, this report is a matter of public interest and its distribution will not be restricted.

Lima, Peru
February 28, 2025
Endorsed by:

Portal, Vega & Asociados


_____(Partner)
Johnny Wilfredo Mires Dávila
Chartered Public Accountant
Registration No. 1987



**REPORT OF THE INDEPENDENT AUDITORS
ON COMPLIANCE WITH THE TERMS OF THE AGREEMENT, APPLICABLE LAWS AND
REGULATIONS**

To the Executive Director of PROFONANPE

1. We have audited the Schedule of Expenses of the Project "Forest and Fire Management in South America", financed with resources from the Cooperation Agreement for the Federal Financial Assistance Grant 23-IC-11132762-068 signed between the United States Forest Service – USFS and PROFONANPE, for the period from December 12, 2022 to September 30, 2024, and we have issued our report on it dated February 28, 2025.
2. We do not have a continuing education program that fully satisfies the requirement set forth in the Generally Accepted Government Auditing Standards – GAGAS. However, our current program provides at least 160 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We do not have an external quality assurance review program by an unaffiliated auditing organization as required by the Generally Accepted Government Auditing Standards – GAGAS. We believe that the effects of this deviation from GAGAS are not material because we participate in the internal quality control program by Kreston Global. This program requires our firm in Peru to undergo extensive quality review by partners and managers from other Kreston Global member offices; the same that is carried out every two years.

3. We conduct our audit in accordance with the United States Generally Accepted Government Auditing Standards issued by the Comptroller General of the Office of Government Accountability of the United States. These standards require us to plan and conduct the audit to obtain reasonable assurance as to whether the Statement of Expenditures of USAID Awards is free from material misstatements resulting from violations of the terms of the grant agreements and laws and regulations that have a direct and material effect on the determination of the Schedule of Expenditures.
4. Compliance with the terms of the Agreements and the applicable Laws and Regulations is the responsibility of the PROFONANPE administration. As part of obtaining reasonable assurance as to whether the Expense Schedule is free from material errors, we perform compliance tests with certain terms of the Agreement, applicable Laws and Regulations. However, our aim was not to express an opinion on the general compliance with such provisions. Accordingly, we do not express such an opinion.
5. Our test results revealed no instances of non-compliance that need to be reported here under the Generally Accepted Government Auditing Standards of the United States of America.



6. This report is intended for the knowledge of PROFONANPE and the United States Forest Service – USFS. However, once published by USFS, this report is a matter of public interest and its distribution will not be restricted.

Lima, Peru
February 28, 2025
Endorsed by:

Portal, Vega & Asociados


_____(Partner)
Johnny Wilfredo Mires Dávila
Chartered Public Accountant
Registration No. 1987