PROFONANPE

PROJECT "USAID/USFS FOREST OVERSIGHT AND RESOURCE STRENGTHENING PROGRAM – FOREST"

COOPERATION AGREEMENT FOR THE FEDERAL FINANCIAL ASSISTANCE GRANT 18-CA-11132762-99 SIGNED BETWEEN USFS AND PROFONANPE

FINANCIAL AUDIT OF THE EXPENSE SCHEDULE FOR THE PERIOD OF OCTOBER 01, 2022 AS OF SEPTEMBER 30, 2024

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REPORT

PROJECT "USAID/USFS FOREST OVERSIGHT AND RESOURCE STRENGTHENING PROGRAM – FOREST"

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FINANCIAL AUDIT OF EXPENDITURE DOCUMENT
FOR THE PERIOD FROM OCTOBER 01, 2022 TO SEPTEMBER 30, 2024

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PROFONANPE

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FINANCIAL AUDIT OF EXPENDITURE DOCUMENT
FOR THE PERIOD FROM OCTOBER 01, 2022 TO SEPTEMBER 30, 2024

EXECUTIVE SUMMARY

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

We are pleased to submit for your consideration the executive summary regarding the financial audit of the Expenditure Schedule of USAID/USFS resources administered by PROFONANPE, in relation to the execution of the activities of the **Project "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" -** Cooperation Agreement for the Federal Financial Assistance Grant 18-CA-11132762-99, for the period from October 01, 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 organizations of development recipients of international technical cooperation of indefinite validity.

PROJECT HISTORY

The "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project is a technical cooperation project between USAID and the United States Forest Service (USFS), which seeks to strengthen public forestry institutions in charge of the Peruvian forest and wildlife heritage.

On February 23, 2018, the United States Forest Service – USFS and PROFONANPE signed a cooperation agreement for the federal financial assistance grant 18-CA-11132762-99, with the objective of managing the Project's financial resources and providing logistical support for the execution of the activities included within the **"USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST"** ***Project***.

Based on this agreement, PROFONANPE was granted the total amount of US$ 567,711, for the execution of the Project, from October 1, 2022 to September 30, 2024.

Project Objective

The 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 USFS to make the Peruvian forestry sector more modern and inclusive.

Project Cost and Financing

The cost and financing of the Project for the period from October 1, 2022 to September 30, 2024, has been as follows:

N°	CATEGORIES	From October 1, 2022 to September 30, 2023	From October 1, 2023 to September 30, 2024	Total
2	Goods and equipment	(67)	-	(67)
3	Consultancies	206,826	93,236	300,062
4	Operational costs	51,094	644	51,738
5	Talleres - capacitaciones	33,061	50,755	83,816
6	Subgrants - PAES	41,067	18,774	59,841
11	Financial administration costs - Profonanpe	56,706	-	56,706
13	Travel, transportation and per diem	45,166	21,746	66,912
14	Comunications	-	-	-
		433,853	185,155	619,008

Project Sector, Subsectors and Indicators

According to Grant Agreement No. 18-CA-11132762-99, the resources granted by the United States Forest Service – USFS, are for the fulfillment of the objectives and indicators of the Sector and Subsectors of the Project, which are shown in the following table:

Name of sub-sector 1	**REGULATIONS THAT FACILITATE THE USE AND APPLICATION OF FOREST LEGISLATION**
Strengthened authorities	Three forestry and wildlife directorates were created to give greater importance to the sector in the decision-making of regional governments, guarantee greater independence and a larger budget for forest management, achieving: S/23.9 million in Public Investment Projects, FOREST supported Loreto with the receipt of a PIP for S/8.5 million for a forest census to reactivate the forestry sector and in Ucayali, FOREST supported the PIP for S/15.4 million for the prevention of forest fires. The forestry and wildlife directorates of Loreto, Ucayali and Madre de Dios received an additional S/42.2 million from 2018 to 2022 to improve the processes of allocation, management, protection and monitoring of forest resources. These additional funds resulted in 401 measurable impacts, the seizure of more than 3 million board feet of timber (about 72 containers), and a 50% increase in staff. Forest data platforms were developed in Loreto, Ucayali and Madre de Dios, allowing regional authorities to share information with national authorities and make informed decisions. More than 33,000 forest management documents were scanned and made available online, facilitating transparency in the sector. SERFOR, as the national forestry and wildlife authority, has a virtual training platform – SERFOR Educa – that offers 25 virtual courses for public servants and actors in the sector. More than 1,500 public servants working in the forestry sector and more than 8,000 people in total have received training through this platform. FOREST developed a comprehensive strategy to support universities and students in building capacities to contribute to the forest sector. FOREST supported 12 students to pursue their master's degrees at Oregon State University. FOREST collaborated with the National University of the Peruvian Amazon, the National Agrarian University of La Molina, and the College of Forestry at Oregon State University to develop a new forestry curriculum. These building blocks will ensure that future staff members graduate with the best training available. With the aim of strengthening capacities in the forest sector, USAID/USFS FOREST decided to launch the

	Innovation and Opportunities Network for Youth in the Forest Sector (RIO). This initiative supported 45 young professionals in the forestry sector. The young professionals were mentored by USFS experts, trained in soft skills, and worked together to develop innovative solutions to the Amazon's problems.
Name of subsector 2	**PROMOTE TRANSPARENCY, AVAILABILITY AND USE OF INFORMATION**
Forest Concessions	The first comprehensive evaluation of Peru's forest concession model was carried out with the aim of improving the regulatory framework and increasing the hectares under sustainable forest management. To improve law enforcement and support the management of permanently produced forests, the regional government of Madre de Dios established the first Forest and Wildlife Management Unit in Tahuamanu. In addition to parallel actions to strengthen national and regional authorities responsible for granting, approving, inspecting and supervising logging concessions, a number of direct actions were taken to reactivate and support forest concessions.
Combating illegal logging and associated trade	A direct methodology was developed to measure illegal logging in Peru, revealing that in 2017, 37% of the wood was laundered through official procedures. OSINFOR, commissioned by the Presidency of the Council of Ministers (PCM), is using the methodology to measure illegal logging for the years 2018 and 2019. It was achieved: 53% of the volume of legal timber in Peru comes from timber forest concessions; 74% of the demand of the wood market is satisfied with national production; 3 companies export 43% of Peru's wood; Peru is implementing a new National Strategy to Combat Illegal Logging (ENLCTI) for the period 2021-2025, which has already been approved and involves 17 government entities representing 10 sectors. Increased monitoring coverage and reduced time and costs through process optimization and the use of geospatial technology and data both in the office and in the field. The SIGOSFC, a system that provides information on the supervision of more than 8,700 registered forest licenses, including concessions and community permits, was improved to send real-time alerts when timber volumes are incorrect; the SIGOSFC stores almost 50 times more digital records, has faster processing speeds for faster responses to queries. • FOREST supported initiatives to help key actors improve the dendrological and anatomical identification of timber species. This support involved the systematization of data, the participation of recognized Peruvian dendrologists and the development of an OSINFOR species identification guide, as well as support for training offered by the



	authorities with the participation of regional universities. FOREST also supported the development of a field catalog for the identification of timber species in Loreto, which was prepared by the Loreto Forestry and Wildlife Development Directorate and CITE Maynas wood.
Name of subsector 3	**Strengthening of technical and management capacities in the Forest Sector for work with concessions and communities**
Communities	Thirty-nine indigenous communities have designated 41,000 hectares of forest in their territories as conservation areas and are returning to the legal timber market under the mechanism of compensation of fines for conservation activities promoted by the regional government of Loreto in coordination with OSINFOR and SERFOR. OSINFOR's Forest Backpack tool offers 12 inclusive training modules for indigenous communities; 338 indigenous leaders have been trained to train their peers; more than 1,940 members of indigenous communities have been trained; and the methodology has been shared with four other Peruvian government agencies that work with indigenous peoples.

Project Beneficiaries

The direct and indirect beneficiaries of the Project 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	**850**
		Trained population	**0**
		Trained young leaders	**0**
	Promote transparency, availability and use of information	Sensitized population	**5,890**
		Trained population	**1,750**
		Trained young leaders	**0**
	Strengthening technical and management capacities in the Forestry Sector for working with concessions and communities	Sensitized population	**2,670**
		Trained population	**900**
		Trained young leaders	**50**
	TOTAL DIRECT BENEFICIARIES		**12,110**

Project Execution Period

Initially the execution period of the Project was from October 1, 2022 to September 30, 2024, USAID, at the request of the United States Forest Service - USFS, has extended the end date of the aforementioned cooperation agreement until September 30, 2025.

2. OBJECTIVES AND SCOPE OF THE AUDIT

OBJECTIVES

The objectives of the financial audit of the "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project for the period from October 1, 2022 to September 30, 2024, are the following:

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 financial audit of the Project Expense Schedule for the period from October 1, 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 Grant Agreement No. 18-CA-11132762-99 signed between the United States Forest Service – USFS and PROFONANPE, allocated budget, contracts with third parties, execution letters, approved written procedures, financial and progress reports of the Project, charts of accounts, functional organizational structure, procurement regulations, 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 "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" including the amounts budgeted by category and important items, the income received and the costs reported by the beneficiary as incurred during the audited period, the goods acquired.

✓ 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 them according to the terms of the agreement that are reported as questioned and identified in the notes to the Schedule of Expenses.

- 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 verify 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 the direct salary charges and will 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 Sheet.

- 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 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 aid worker if he considers that his representatives are present.

ii) In the planning stage of the audit, we will communicate to PROFONANPE the nature, scope of tests and presentation of the report on compliance with internal control laws and regulations.

iii) We established quality control procedures to ensure that appropriate and sufficient evidence is obtained to provide a reasonable basis for forming an opinion on the Expense Schedule under audit.

Letter of Representation from the Administration of PROFONANPE

We obtained 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 audit procedures, in relation to each of the objectives of the financial audit of the "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project for the period from October 1, 2022 to September 30, 2024, a project financed with resources from the Cooperation Agreement for the Federal Financial Assistance Grant 18-CA-11132762-99 signed between USFS and PROFONANPE, we can conclude:



Report on the Expenditure Schedule

We have issued an unqualified opinion on the Schedule of Expenditures of the "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project for the period from October 1, 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 Cooperative Agreement for the Federal Financial Assistance Grant 18-CA-11132762-99 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 Expenditures of the "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project for the period from October 1, 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 Expenditures of the "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project for the period from October 1, 2022 to September 30, 2024, we evaluated PROFONANPE's Internal Control in relation to the execution of the Project activities, to obtain a sufficient understanding of the design of the relevant control policies and procedures and whether those policies and procedures have been implemented in the Internal Control Programme. 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 USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST Project, the results thereof did not reveal instances of non-compliance that could have a direct and material effect on the Expense Schedule for the period of October 1 from 2022 to September 30, 2024.

4. MANAGEMENT COMMENTS

The Administration of PROFONANPE, as the executing entity of the "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project, took cognizance of the content of the financial audit report of the Project, for the period from October 1, 2022 to September 30, 2024, expressing its agreement on the content of the same.

Lima, Peru
February 28, 2025
Endorsed by:

Portal, Vega & Asociados

_____(Partner)
Johnny Mires Dávila
Chartered Public Accountant
Registration No. 19870

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OPINION OF THE INDEPENDENT AUDITORS
ABOUT THE EXPENSE CERTIFICATE

To the Executive Director of PROFONANPE

1. We have audited the Schedule of Expenditures of the "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project, financed with resources from the Cooperation Agreement for the Federal Financial Assistance Grant 18-CA-11132762-99 signed between the United States Forest Service – USFS and PROFONANPE, for the period between October 1, 2022 and 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 on 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 Expenditures reasonably presents, in all its material aspects, the income and costs incurred and reimbursed from the "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project financed with resources from the Cooperative Agreement for the Federal Financial Assistance Grant 18-CA-11132762-99 signed between the United States Forest Service – USFS and PROFONANPE, for the period from October 1, 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.

   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 Mires Dávila
Chartered Public Accountant
Registration No. 19870

PROFONANPE
PROJECT "USAID/USFS FOREST OVERSIGHT AND RESOURCE STRENGTHENING PROGRAM – FOREST"
FEDERAL FINANCIAL ASSISTANCE GRANT COOPERATIVE AGREEMENT 18-CA-11132762-99

FINANCIAL AUDIT OF THE EXPENSE SCHEDULE
FOR THE PERIOD FROM OCTOBER 01, 2022 TO SEPTEMBER 30, 2024

	Budget US$	Real US$	Questioned costs Ineligible US$	Questioned costs Undocumented US$	Note
REVENUE					
Cash available as of 30.09.2022		302,994			
USFS Funds Received	567,711	567,711			3
Total revenue	567,711	870,705	-	-	
COSTS INCURRED					
Categories					
02. Goods and Equipment	(67)	(67)	-	-	
03. Consultancies	300,062	300,062	-	-	
04. Operational Costs	51,738	51,738	-	-	
05. Workshops - Training	83,816	83,816	-	-	
06. Sub-grants - SEAPs	59,841	59,841	-	-	
11. Costs of Financial Administration - PROFONANPE	56,706	56,706	-	-	
13. Travel, transportation and per diem	66,912	66,912	-	-	
14. Communications	-	-	-	-	
Total costs incurred	(619,008)	(619,008)	-	-	4
Return to USFS, recovered IGV 2018-2019-2020		(144,541)			5
Return to USFS, recovered IGV 2024		(59,960)			5
Operations to be regularized		58,536			6
Cash available as of 30.09.2024		105,732			2

PROFONANPE

PROJECT "USAID/USFS FOREST OVERSIGHT AND RESOURCE STRENGTHENING PROGRAM – FOREST"

COOPERATION AGREEMENT FOR THE FEDERAL FINANCIAL ASSISTANCE GRANT 18-CA-11132762-99 SIGNED BETWEEN USFS AND PROFONANPE

NOTES TO THE EXPENSE SHEET
FOR THE PERIOD FROM OCTOBER 01, 2022 TO SEPTEMBER 30, 2024

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 prepared in accordance with the budget 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° 193-2472353-1-71 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

The financial management for the period from October 1, 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.

Recovery of the General Sales Tax

In accordance with the provisions of Legislative Decree No. 783 and its regulations, Supreme Decree No. 036-94-EF, the General Sales Tax (IGV) and the Municipal Promotion Tax (IPM) that are paid on purchases of goods and services made with funds from foreign donations may be subject to refunds. By virtue of this, PROFONANPE in January 2024 obtained from the tax administration according to Resolution No. 0241803167064/SUNAT the recovery of tax for S/ 90,684 corresponding to the period 2022, also on January 12, 2024 the Peruvian Agency for International Cooperation (APCI) granted the favorable technical opinion to request said refund benefit corresponding to the period 2023. As of the closing date of this report, the recovery of the tax for S/. 29,549. The recovered funds are transferred to USFS.

Income Tax Exemption

In accordance with the provisions of subsection b) of article 19 of the Single Harmonized Text of the Income Tax Law, PROFONANPE is exempt from income tax, as it is a non-profit private law institution; provided that they allocate their income to their specific purposes in the country; do not distribute them directly or indirectly among the associates and that in their statutes it is provided that their assets will be used, in the event of dissolution, to any of the purposes (charity, social assistance, education, cultural, scientific, literary, sports, political, union, housing) contemplated in this subsection. In accordance with the provisions of Emergency Decree No. 025-2019 of September 11, 2019, PROFONANPE is exempt from Income Tax until December 31, 2026.

2. AVAILABLE FUND

As of September 30, 2024, is the cash available from the Federal Financial Assistance Grant Cooperative Agreement 18-CA-11132762-99; As well as the balance exposed as of September 30, 2022, comes from audited bank balances of the previous period, it is composed of the following balance:

Credit Bank of Peru:	**US$**
Current Account US$ 191-2492903-0-36	90,026
Current Account US$ 191-2492903-0-36	15,706
	105,732

3. FUNDS RECEIVED USFS

During the period from October 1, 2022 to September 30, 2024, PROFONANPE has received funds from USFS in relation to the Cooperation Agreement for the Federal Financial Assistance Grant 18-CA-11132762-99, for a total amount of US$ 567,711, as detailed below:

Date	Consignmet	US$
21.11.2022	01	402,009
20.12.2022	02	165,702
		567,711

4. COSTS INCURRED

The costs incurred in the execution of the Project activities, for the period from October 1, 2022 to September 30, 2024, are as follows:

Components	Denomination	From October 1, 2022 to September 30, 2023	From October 1, 2023 to September 30, 2024	Total
0	Financial administration - direct costs (a)	56,706	-	56,706
2	Strengthening integrated land management at the subnational level to mitigate the effects of climate change (b)	442	-	442
3	Solutions based on the market (c)	210,013	166,502	376,516
4	Applied research for climate and forests (d)	(21)	-	(22)
5	Young leaders for climate and forest (e)	1,894	-	1,894
6	Communications / Monitoring, Evaluation, and Learning (MEL) / Administration	164,865	18,652	183,517
7	Improving fire management and response capacity in the Amazon	(45)	-	(45)
Totals		**433,854**	**185,154**	**619,008**

(a) They are made up of personnel expenses: Project Coordinator, Manager, Study Analyst, Specialists, Assistants, Promoters and Communicators among others - Forest V Expansion Project 2022 – Overhead.

(b) They are made up of the costs corresponding to support in the analysis of forest resources and wildlife and airfare.

(c) They are related to disbursements in relation to the TERRA NUOVA agreement and the CEDIA agreement.

(d) They are related to a return made to an accounting.

(e) They are made up of expenses incurred in coordination meetings and purchase of air tickets for the OSU-FOREST event.

(f) They are mainly composed of deliveries to be rendered, regarding CCSUAF Huicopa fieldwork, operating expenses and funds to cover accommodation.

(g) They are related to reversals of pending drafts.



5. RETURN TO USFS, RECOVERED IGV

PROFONANPE, as a non-profit institution, managed and recovered from SUNAT the IGV for purchases of goods and services the equivalent of US$ 144,541, corresponding to the years 2018, 2019 and 2020, which were returned to USAID in 2023; likewise, the IGV was recovered for purchases of goods and services for US$ 59,959, corresponding to IGV of 2021 and was returned to USAID in October 2023 and April 2024, there was also a recovery of IGV of the year 2022 and US$ 24,022 was deposited with USAID on March 5, 2024. ,

6. OPERATIONS TO BE REGULARIZED

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

Concept:	US$
Difference in change	(1,424)

REPORT OF THE INDEPENDENT AUDITORS
ON INTERNAL CONTROL

To the Executive Director of PROFONANPE

1. We have audited the Schedule of Expenditures of the "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST" Project, financed with resources from the Cooperation Agreement for the Federal Financial Assistance Grant 18-CA-11132762-99 signed between the United States Forest Service – USFS and PROFONANPE, for the period between October 1, 2022 and 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 PROFONANFE 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:



_____(Partner)
Johnny Mires Dávila
Chartered Public Accountant
Registration No. 19870

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 Expenditures of the Project "USAID/USFS Forest Oversight and Resource Strengthening Program – FOREST", financed with resources from the Cooperation Agreement for the Federal Financial Assistance Grant 18-CA-11132762-99 signed between the United States Forest Service – USFS and PROFONANPE, for the period between October 1, 2022 and September 30, 2024 and we have issued our report on it dated October 28, 2022 February 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.

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6. This report is intended for the knowledge of PROFONANFE 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 Mires Dávila
Chartered Public Accountant
Registration No. 19870