

Universidad Peruana Cayetano Heredia

Research projects funded by federal funds of the United States of North America, under subcontracts subscribed between Universidad Peruana Cayetano Heredia and The John Hopkins Bloomberg School of Public Health (JHSPH) and Oregon Health and Science University (OHSU), for the period from January 1, 2014 to December 31, 2014

UNIVERSIDAD PERUANA CAYETANO HEREDIA

Research Projects financed by federal funds of the United States of North America, under subcontracts signed between Universidad Peruana Cayetano Heredia and the Universities The Johns Hopkins Bloomberg School of Public Health (JHSPH) and Oregon Health and Science University (OHSU).

Audit report of the expenditure statements for the period from January 1, 2014 to December 31, 2014.

Content

- I. Independent auditors' report**
- II. Introduction**
- III. General information of the research projects**
 - 3.1. Legal Incorporation of Universidad Peruana Cayetano Heredia.
 - 3.2. Research projects' information.
 - 3.3. Research projects' funding.
 - 3.4. Consolidated statement of expenditures of the Research Projects.
 - 3.5. Consolidated statement of expenditures of the Research Projects per funding source.
- IV. Verification and background of the work**
- V. Financial, accounting and administrative verification**
 - 5.1. Main accounting policies.
 - 5.2. Expenditures review of Research Projects.
 - 5.3. Expenditures statements of Research Projects.
- VI. Internal Control**
- VII. Compliance with the terms of subcontracts, laws and applicable regulations**
- VIII. Observations and recommendations**

US\$ = U.S. dollar

I. INDEPENDENT AUDITOR'S REPORT

To the University Director

Dr. Fabiola León Velarde Servetto

Universidad Peruana Cayetano Heredia

1. We have audited the Statements of expenditures of the following research projects: "Lauching a salt substituteto reduce blood presure at the population level - Perú", "Early detection of congenital chagas disease", "Cough - A rapid indicator of response to therapy in pulmonary tuberculosis", "Macrophage polarization and glutahione levels in the b-helminth co-infection", "Predictors of cardiomyophaty progression in a chagas disease cohort in Bolivia", "Pig tongue diagnostic: community-based control of taperworms" and "Optimizing ring screening strategy for control of taenia solium infection" (hereinafter The Projects) of **Universidad Peruana Cayetano Heredia**, (a non-profit educational body, hereinafter The University), which were financed by federal funds of the United States of North America, under subcontracts with Universidad Peruana Cayetano Heredia and the Universities Johns Hopkins Bloomberg School of Public Health (hereinafter JHSPH) and Oregon Health and Science University (hereinafter OHSU), for the period from January 1, 2014 to December 31, 2014.

Reponsibility of the Administration Directorate General for the Statements of Expenditures

2. The Administration Directorate General of **Universidad Peruana Cayetano Heredia** is responsible of the preparation and reasonable presentation of these Statements of Expenditures in accordance with the execution/expense basis. This responsibility includes: designing, implementing and maintaining the internal control relevant for the preparation and fairly presentation of the statements of expenditures that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these Statements of expenditures based on our audit. Our audit was performed in accordance with the Generally Accepted Government Auditing Standards of North America (GAGAS), the compliance supplement of the Office of Management and Budget – OMB –) of the United States of North America – Circular A 133 and the International Auditing Standards (IAS). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements of expenditures are free from material misstatement.

Independent auditors' report (continued)

Internal Control Compliance Report

4. The Administration Directorate General is responsible of establishing and keeping an effective internal control. When planning and performing our compliance audit, we consider the internal control that may have a direct and material effect on the expenditures, based on which we will be able to provide an opinion regarding the compliance of the internal control in accordance with Circular OMB A-133. In our opinion, we consider that no material deficiency has been found in our internal control review for the period from January 1, 2014 to December 31, 2014.

Opinion

5. In our opinion, the Statements of expenditures present fairly, in all material aspects, the financial position of the Projects, executed by Universidad Peruana Cayetano Heredia, financed by the Universities: The Johns Hopkins Bloomberg School of Public Health (JHSPH) and Oregon Health and Science University (OHSU) which at the same time are financed and required by the federal entity of the United States of North America The National Institute of Allergy and Infectious Diseases (NIH) based in Circular OMB A-133, for the period from January 1, 2014 to December 31, 2014.

Countersigned by:

Panez, Chacallaza y Asociados Sociedad Civil de R.L.

A member firm of RSM International, which is an affiliation of independent accounting and consulting firm. RSM International and each of its affiliate member firms are independent legal entities. RSM International does not itself provide accounting or consultancy services. Panez, Chacallaza & Asoc. S.C.R.Ltda provides such services on its own account



Alberto Alcántara Bernaola (Partner)
Peruvian Certified Public Accountant
Registration N° 3380

June 30, 2016
Lima, Peru

UNIVERSIDAD PERUANA CAYETANO HEREDIA

Notes to the Statement of expenditures of the Research Projects financed by federal funds of the United States of North America, under subcontracts signed between Universidad Peruana Cayetano Heredia and the Universities The Johns Hopkins Bloomberg School of Public Health (JHSPH) and Oregon Health and Science University (OHSU).

For the period from January 1, 2014 to December 31, 2014

II. INTRODUCTION

This report present the audit result of the following Research Projects, for the period from January 1, 2014 to December 31, 2014:

Projects with The Johns Hopkins Bloomberg School Public Health:

- Lauching a salt substitute to reduce blood pressure at the population level - Peru.
- Early detection of congenital Chagas disease.
- Cough - A rapid indicator of response of therapy in pulmonary tuberculosis.
- Macrophage polarization and glutathione levels in the TB - helminth co-infection.
- Predictors of Cardiomyopathy progression in a Chagas disease cohort in Bolivia.

Projects with Oregon Health and Science University:

- Pig tongue diagnostic: Community – based control taperworms.
- Optimizing ring screening strategy for control of taenia solium infection.

III. GENERAL INFORMATION OF THE RESEARCH PROJECTS

3.1 Legal incorporation of Universidad Peruana Cayetano Heredia

The Universidad Peruana Cayetano Heredia was created by Supreme Decree N° 018 dated September 22, 1961. It is a non-state and non-profit private University. Its main purpose is to provide superior education, promote and spread scientific research in all fields and prepare students in the professional field, as well as promoting a university extension labor. It is governed by the new University Law 30220 and its complementary standards, bylaws, regulations and leadership.

3.2 Research projects' information

The following is the detailed information of the Research Projects:

3.2.1 Project Salt

Lauching a salt substitute to reduce blood pressure at the population level - Peru.

Main researcher: Dr. Robert Gilman

Budget period: From April 1 to March 31.

Project's execution period: From April 1, 2012 to March 31, 2017

Project's general purpose: Participate at population level, to replace sodium salt for salt rich in potassium.

- 3.2.2 Project Congenital Chagas
Early detection of congenital Chagas disease.
Main researcher: Dr. Robert Gilman
Budget period: From March 1 to February 28
Project's execution period: From March 15, 2010 to February, 28, 2016.
Project's general purpose: Develop and evaluate different methods to diagnose the disease of Chagas in mother and children, in order to start a early and appropriate treatment.
- 3.2.3. Project Cough
Cough - A rapid indicator of response of therapy in pulmonary tuberculosis.
Main researcher: Dr. Robert Gilman
Budget period: From March 1 to February 28
Project's execution period: From March 9, 2012 to February 28, 2016.
Project's general purpose: To evaluate the correlation of the frequency dynamic of cough and the treatment response in patients with sensitivity, besides the changes in the sputum and cultures results.
- 3.2.4. Project Macrophage
Macrophage polarization and glutathione levels in the TB - helminth co-infection.
Main researcher: Dr. Robert Gilman
Budget period: From July 1 to June 30
Project's execution period: From July 15, 2012 to June 30, 2016.
Project's general purpose: Investigate the presence of a polarization and glutathione exhaustion of such macrophages and the effect on killing tuberculosis macrophages.
- 3.2.5. Project Predictor
Predictors of Cardiomyopathy progression in a Chagas disease cohort in Bolivia.
Main researcher: Dr. Robert Gilman
Budget period: From February 15 to January 31
Project's execution period: From February 15, 2014 to January 31, 2017.
Project's general purpose: Develop treatments to the early detection of the disease Chagas to the heart. The main resulting measure will be Cardiomyopathy progression in a Chagas more than 4 years of follow up.

Projects with Oregon Health and Science University:

- 3.2.6. Project Pig Tongue
Pig tongue diagnostic: Community – based control tapeworms.
Main researcher: Dr. Hugo García
Budget period: From April 1 to March 31.
Project's execution period: From May 1, 2013 to June 1, 2016.
Project's general purpose: Implement and evaluate the treatment addressed to human carriers of T-solium in clusters of houses in areas surrounding the infected pigs.

3.2.7. Proyecto Optimizing

Optimizing ring screening strategy for control of taenia solium infection.

Main researcher: Dr. Hugo García.

Budget period: From April 1 to March 31.

Project's execution period: From December 15, 2013 to November 30, 2018.

Project's general purpose: Prospective clinical intervention based on the community with 5 areas of study acquiring intervention strategies in rings vs. massive treatment for the control of T-Solium transmission.

3.3 Research projects' funding

The source of these Research Projects' funding are 2 universities: The Johns Hopkins Bloomberg School of Public Health (JHSPH) and Oregon Health and Science University (OHSU), which at the same time, receive funding from a federal entity of the United States of North America: The National Institute of Allergy and Infectious Diseases (NIH).

It is in these kind of fundings where Universidad Peruano Cayetano Heredia acts as subcontracted. Funding are received by disbursements.

3.4 Consolidated statement of expenditures of the Research Projects.

The following is the expenditures consolidated Statement of the Research Projects (*).

(*) According to the details of the Research Projects, these have different budget periods per year; therefore, it is not possible to perform a comparative between Budget and execution. Because of that, we will proceed to only present the expenses executed by period from January 1, 2014 to December 31, 2014.

UNIVERSIDAD PERUANA CAYETANO HEREDIA

CONSOLIDATED STATEMENT OF EXPENDITURES

From the 7 Research Projects financed by the United States of North America, under subcontracts signed between Universidad Peruana Cayetano Heredia and the universities Johns Hopkins Bloomberg School of Public Health (JHSPH) and Oregon Health and Science University (OHSU).

For the period from January 1, 2014 to December 31, 2014

	Project 1	Project 2	Project 3	Project 4	Project 5	Project 6	Project 7	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Direct costs								
Employees' benefits	279,951	31,271	4,409	15,001	20,303	26,941	28,804	406,680
Training	-	-	-	-	-	-	2,158	2,158
Travel	19,847	11,061	-	-	-	-	3,966	34,874
Consultants	3,905	-	-	-	-	-	-	3,905
Executive committee	-	-	-	-	-	7,500	-	7,500
Supplies	21,605	19,679	3,993	10,397	3,285	8,621	-	67,580
Others	87,137	7,712	-	-	-	34,905	52	129,806
Total direct costs	412,445	69,723	8,402	25,398	23,588	77,967	34,980	652,503
Total indirect costs	28,980	5,509	1,661	2,166	1,536	5,769	1,890	47,511
Total provisions	-	-	-	-	-	154	167	321
Total expenses	441,425	75,232	10,063	27,564	25,124	83,890	37,037	700,335

Project 1 - Launching a salt substitute to reduce blood pressure at the population level-Peru

Project 2 - Early Detection Of Congenital Chagas Disease

Project 3 - Cough a rapid indicator of response to therapy in pulmonary tuberculosis

Project 4 - Macrophage polarization and glutathione levels in the TB-helminth co-infection

Project 5 - Predictor of Cardiomyopathy Progression in a Chagas disease cohort in Bolivia

Project 6 - Pig tongue diagnostic: Community-based control tapeworms

Project 7 - Optimizing ring screening strategy for control of taenia solium infection

3.5 Consolidated statement of expenditures of the Research Projects per funding source

We present as follows the Consolidated statements of expenditures of the Research Projects per funding source: The Johns Hopkins Bloomberg School of Public Health (JHSPH) and The Oregon Health and Science University (OHSU).

STATEMENTS OF EXPENDITURES

Research projects financed by federal funds of the United States of North America, under subcontract signed between Universidad Peruana Cayetano Heredia and the University Johns Hopkins Bloomberg School of Public Health (JHSPH).

For the period from January 1, 2014 to December 31, 2014

	Project 1	Project 2	Project 3	Project 4	Project 5	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Direct costs						
Employees' benefits	279,951	31,271	4,409	15,001	20,303	350,935
Travel	19,847	11,061	-	-	-	30,908
Consultants	3,905	-	-	-	-	3,905
Supplies	21,605	19,679	3,993	10,397	3,285	58,959
Others	87,137	7,712	-	-	-	98,849
Total direct costs	412,445	69,723	8,402	25,398	23,588	539,556
Total indirect costs	28,980	5,509	1,661	2,166	1,536	39,852
Total Expenses	441,425	75,232	10,063	27,564	25,124	579,408

Project 1 - Launching a salt substitute to reduce blood pressure at the population level-Peru

Project 2 - Early Detection Of Congenital Chagas Disease

Project 3 - Cough a rapid indicator of response to therapy in pulmonary tuberculosis

Project 4 - Macrophage polarization and glutathione levels in the TB-helminth co-infection

Project 5 - Predictor of Cardiomyopathy Progression in a Chagas disease cohort in Bolivia

STATEMENT OF EXPENDITURES

Research projects financed by federal funds of the United States of North America, under subcontract signed between Universidad Peruana Cayetano Heredia and the University Oregon Health and Science University (OHSU).

For the period from January 1, 2014 to December 31, 2014

	Project 6	Project 7	Total
	US\$	US\$	US\$
Direct costs			
Employees' benefits	26,941	28,804	55,745
Entertainment	-	2,158	2,158
Travel	-	3,966	3,966
Executive committee	7,500	-	7,500
Supplies	8,621	-	8,621
Others	34,905	52	34,957
Total direct costs	77,967	34,980	112,947
Total indirect costs	5,769	1,890	7,659
Total provisions	154	167	321
Total expenses	83,890	37,037	120,927

Project 6 - Pig tongue diagnostic: Community-based control tapeworms

Project 7 - Optimizing ring screening strategy for control of taenia solium infection

IV. VERIFICATION AND BACKGROUND OF THE WORK

Our work was to perform a financial audit for the review of the Research Projects' expenditures statements (see note 3.2), for the period from January 1, 2014 to December 31, 2014. The audit included the exam of the Expenditures Statements of each Research Project, performed in accordance with the Generally Accepted Government Auditing Standards of North America (GAGAS), the compliance supplement of the Office of Management and Budget – OMB of the United States of North America – Circular A 133. Accordingly, we applied the procedures, standards and guidelines of Universidad Peruana Cayetano Heredia's policies in regards to procedures, justification and control of the Research Projects' expenditures and other audit procedures that we may consider necessary.

Scope of the audit

The scope of our audit work includes the review of all the expenditures transactions from January 1 to December 31, 2014. As part of a preliminary review and to determine an appropriate control environment, we review the following documents:

- Agreements or subcontracts subscribed between Universidad Peruana Cayetano Heredia and the Universities: The Johns Hopkins Bloomberg School of Public Health (JHSPH) and Oregon Health and Science University (OHSU).
- Progress reports of the projects.
- Organization charts.
- Description of the accounting systems.
- Policies and procedures of acquisitions, purchases and contractings.

The review of the Expenditures Statements and Trading Statements of each project, funded by The Johns Hopkins Bloomberg School of Public Health (JHSPH) and Oregon Health and Science University (OHSU), including the budgeted amounts, reported expenses and compliance of the procedures established in the subcontracts.

The review of the proper justification of expenses incurred by the audited projects, which have original documentation that may support the expenses.

The review of the procedures of purchase, goods acquisition, tenders and quotes.

As part of our audit we considered the following standards:

- Standard Statement of Work for financial audits of NON-US organizations contracted.
- Generally Accepted Government Auditing Standards of the United States of North America (GAGAS).
- Compliance supplement of the Office of Management and Budget – OMB of the United States of North America – Circular A 133.
- International Auditing Standards (IAS).

V. FINANCIAL, ACCOUNTING AND ADMINISTRATIVE VERIFICATION

5.1 Main Accounting Policies

The main policies adopted by Universidad Peruana Cayetano Heredia during the preparation and presentation of the Statements of expenditures of the Research Projects have been applied consistently and are the following:

- a. Preparation basis of the Expenditures Statements
Expenditures statements are expressed in U.S. dollars, and have been prepared based on the execution/expense, which implies that these are recognized when met.
- b. Foreign currency and Exchange rate
Accounting transactions are registered in the currency of the Research Projects (U.S. dollars), for the preparation purposes of the Research Projects' expenditures statements.

For the translation of the expenses made in local currency to U.S. dollars, the exchange rate at the date where the expense was registered.

5.2 Expenditures review of Research Projects

The date of the expenses documentation correspond to the period subject to review from January 1, 2014 to December 31, 2014. These expenses documentation of Research Projects were verified to see if they had included the expenses made with the funds provided to the Research Projects, matter of our audit.

Formal requirement of the expenses

We verified all the original documents; invoices, receipts and other supporting documentation of expenses including within each entry, where the information is organized by expense date, and are also registered in the Expenditures Statement and the accounting registries of Universidad Peruana Cayetano Heredia.

We verified expenses from contracting staff devoted partial or totally to the Project, including salaries, social insurance, bonuses, vacations, severance payment and other labor benefits according to law.

We verified that national staff contracting complied with national regulations and according to employment contracts duly certified by the Labour Ministry and Employment Promotion, which specify obligations, contracting modality, professional category and salary.

We verified that employees' payroll payments are made monthly for each entity providing the corresponding payments stubs as established by the pay Labour Law, complying with the payment of bonuses, severance payment, vacations and insurance Essalud. The allocation of employees' salary is partial according to the calculation made by a person responsible of the entity and the local partner specifying the time devoted, amount to allocate and percentage.

We verified that the monthly provisions of social benefits: bonuses, severance payment and vacations were performed.

The withholdings for pensin funds, insurances and taxes are made according to the calculation detailed and are paid to the collecting entity (AFPs, SUNAT) within the timeline established by the Peruvian Labour Law.

The Universidad Peruana Cayetano Heredia keeps files where it is possible to find in an orderly way: employees' contracts, payment stubs properly signed, with payment certificates of social benefits, withholding certificates for taxes, social security payments, tax payments, payroll payment and pension funds payment.

We verified that travel expenses are supported by the liquidation of expenses, accommodation, transportation and trips made only for staff with labour purposes with justifying list and invoices, receipts and affidavits.

We verified sufficiently and properly the existence of the expense, confirming the reality and quality of the expense corresponding to a transaction or action verifying the proof of work done, products received or services provided regularly, of acceptable quality and at agreed and reasonable prices and costs.

5.3 Expenditures statements of Research Projects

The Expenditures Statement or Budget Execution corresponding to the management from January 1, 2014 to December 31, 2014 funded by the universities Johns Hopkins Bloomberg School of Public Health (JHSPH) and Oregon Health and Science University (OHSU), are the following:

PROJECT - Launching a salt substitute to reduce blood pressure at the population**EXPENDITURE STATEMENT**

Research Project financed by federal funds of the United States of North America, under subcontract signed between Universidad Peruana Cayetano Heredia and the Universities The Johns Hopkins Bloomberg School of Public Health (JHSPH).

For the period from January 1, 2014 to December 31, 2014

	Project execution (*)	Budget (**)
	US\$	US\$
Direct costs		
Employees' benefits	279,951	260,580
Travel	19,847	11,814
Consultants	3,905	4,200
Supplies	21,605	12,547
Others	87,137	82,045
Total direct costs	412,445	371,186
Total indirect costs	28,980	402,836
Total Expenses	441,425	774,022

(*) The period reviewed of expenses execution is from January 1, 2014 to December 31, 2014.

(**) The Budget is only referential, because of the different periods of time it covers. The period it covers is from April 1 to March 31.

PROJECT - Early Detection Of Congenital Chagas Disease**EXPENDITURE STATEMENT**

Research Project financed by federal funds of the United States of North America, under subcontract signed between Universidad Peruana Cayetano Heredia and the Universities The Johns Hopkins Bloomberg School of Public Health (JHSPH).

For the period from January 1, 2014 to December 31, 2014

	Project execution (*)	Budget (**)
	US\$	US\$
Direct costs		
Employees' benefits	31,271	44,558
Travel	11,061	2,250
Supplies	19,679	30,000
Others	7,712	5,464
Total direct costs	69,723	82,272
Total indirect costs	5,509	6,582
Total Expenses	75,232	88,854

(*) The period reviewed of expenses execution is from January 1, 2014 to December 31, 2014.

(**) The Budget is only referential, because of the different periods of time it covers. The period it covers is from March 1 to February 28.

PROJECT - Cough a rapid indicator of response to therapy in pulmonary tuberculosis**EXPENDITURE STATEMENT**

Research Project financed by federal funds of the United States of North America, under subcontract signed between Universidad Peruana Cayetano Heredia and the Universities The Johns Hopkins Bloomberg School of Public Health (JHSPH).

For the period from January 1, 2014 to December 31, 2014

	Project execution (*)	Budget (**)
	US\$	US\$
Direct costs		
Employees' benefits	4,409	11,000
Supplies	3,993	7,519
Total direct costs	8,402	18,519
Total indirect costs	1,661	1,481
Total Expenses	10,063	20,000

(*) The period reviewed of expenses execution is from January 1, 2014 to December 31, 2014.

(**) The Budget is only referential, because of the different periods of time it covers. The period it covers is from March 1 to February 28.

PROJECT - Macrophage polarization and glutathione levels in the TB-helminth co-infection

EXPENDITURE STATEMENT

Research Project financed by federal funds of the United States of North America, under subcontract signed between Universidad Peruana Cayetano Heredia and the Universities The Johns Hopkins Bloomberg School of Public Health (JHSPH).

For the period from January 1, 2014 to December 31, 2014

	Project execution (*)	Budget (**)
	US\$	US\$
Direct costs		
Employees' benefits	15,001	25,800
Supplies	10,397	42,578
Others	-	3,000
Total direct costs	25,398	71,378
Total indirect costs	2,166	5,710
Total Expenses	27,564	77,088

(*) The period reviewed of expenses execution is from January 1, 2014 to December 31, 2014.

(**) The Budget is only referential, because of the different periods of time it covers. The period it covers is from July 1 to June 30.

PROJECT - Predictor of Cardiomyopathy Progression in a Chagas disease cohort in Bolivia

EXPENDITURES STATEMENT

Research Projects financed by federal funds of the United States of North America, under subcontracts signed between Universidad Peruana Cayetano Heredia and University Johns Hopkins Bloomberg School of Public Health (JHSPH).

For the period from January 1, 2014 to December 31, 2014

	Project execution (*)	Budget (**)
	US\$	US\$
Direct costs		
Employees' benefits	20,303	40,000
Supplies	3,285	13,000
Others	-	2,500
Total direct costs	23,588	55,500
Total indirect costs	1,536	4,440
Total Expenses	25,124	59,940

(*) The period reviewed of expenses execution is from January 1, 2014 to December 31, 2014.

(**) The Budget is only referential, because of the different periods of time it covers. The period it covers is from February 15 to January 31.

PROJECT - Pig tongue diagnostic: Community-based control tapeworms**EXPENDITURES STATEMENT**

Research projects financed by federal funds of the United States of North America, under subcontract signed between Universidad Peruana Cayetano Heredia and the University Oregon Health and Science University (OHSU).

For the period from January 1, 2014 to December 31, 2014

	Project execution (*)	Budget (**)
	US\$	US\$
Direct costs		
Employees' benefits	26,941	36,600
Executive committee	7,500	7,500
Supplies	8,621	15,460
Others	34,905	49,711
Total direct costs	77,967	109,271
Total indirect costs	5,769	8,742
Total Provisions	154	-
Total Expenses	83,890	118,013

(*) The period reviewed of expenses execution is from January 1, 2014 to December 31, 2014.

(**) The Budget is only referential, because of the different periods of time it covers. The period it covers is from April 1 to March 31.

PROJECT - Optimizing ring screening strategy for control of taenia solium infection**EXPENDITURES STATEMENT**

Research projects financed by federal funds of the United States of North America, under subcontract signed between Universidad Peruana Cayetano Heredia and the University Oregon Health and Science University (OHSU).

For the period from January 1, 2014 to December 31, 2014

	Project execution (*)	Budget (**)
	US\$	US\$
Direct costs		
Employees' benefits	28,804	61,450
Training	2,158	12,000
Travel	3,966	14,000
Equipment	-	14,810
Others	52	6,000
Total direct costs	34,980	108,260
Total indirect costs	1,890	6,996
Total Provisions	167	-
Total Expenses	37,037	115,256

(*) The period reviewed of expenses execution is from January 1, 2014 to December 31, 2014.

(**) The Budget is only referential, because of the different periods of time it covers. The period it covers is from April 1 to March 31.

VI. INTERNAL CONTROL

We reviewed and evaluated the internal control of Universidad Peruana Cayetano Heredia, in regards to the Research Projects, in order to obtain enough understanding of the design of policies and control procedures, and if such policies and procedures have been applied.

The most important audit procedures applied for the evaluation of internal control is detailed as follows:

- a. Obtain enough understanding of the internal control in order to plan the audit and determine the nature, opportunity and scope of the tests to be performed.
- b. We evaluated the inherent risk and the risk of control, and we determined the combined risk combinado. The inherent risk is the susceptibility of an assertion, such as the balance of an account, a material incorrect statement, assuming that there are no policies nor procedures in the internal control regarding the assertion. Control risk is the risk that implies that a material wrong statement may occurred in an assertion and may not be timely prevented or detected by the internal control of Universidad Peruana Cayetano Heredia, its policies or procedures. The combined risk is the risk of not detecting a material error that exists in an assertion. The combined risk is founded in the efficiency of the audit procedure and its application by the auditor.
- c. We summarize the risk evaluations for each material assertion in the working papers. The risk evaluation have considered the following general categories where each assertion shall be classified:
 - a) Integrity; b) Existence; c) Accuracy; d) Valuation; e) Obligation and f) Presentation.
- d. We evaluate the control environment, the sufficiency of the accounting system and the control procedures. It was emphasize in the policies and procedures applicable to policies and procedures regarding the capacity of Universidad Peruana Cayetano Heredia to register, process, summarize and report financial information consistent with the assertions contained in each account of the Trading Statement.

For such effects, we evaluated among other things the control systems to:

- i. Ensure that the charges to the program are appropriate and are duly documented;
 - ii. Acquisition of goods and services;
 - iii. The administration of the staff functions such as time control, salaries and benefits;
 - iv. The administration and disposition of goods (such as vehicles, equipment, and tools, as well as other merchandises) acquired for the Research Projects; and
 - v. Ensure the compliance with the terms of the subcontracts, laws and regulations applicable that have a collective and material impact in the Expenditures Statement.
- e. We evaluated the control procedures established to ensure the compliance with the shared costs requirements, including both contributions and the administration of the same.

To comply with the audit requirement in regards to the understanding of the internal control and evaluation of the control risk level, we considered what was described in the declarations of the AICPA SAS N°. 55 (AU 319), SAS N°. 60 (AU 325A) and SAS N°. 78 (AU 319) named "Consideration of Internal Control in a Financial Statement Audit", "Communication of Matters related to the Internal Control Observed in an Audit", and "Consideration of the Internal Control in a Financial Statements Audit – Amendment to SAS N°. 55", respectively; as well as the SAS N°. 74 (AU 801) named "Auditing Considerations in Audits of Governmental Financial Assistance".

VII. COMPLIANCE WITH THE TERMS OF SUBCONTRACTS, LAWS AND APPLICABLE REGULATIONS

To perform the compliance evaluation with the terms of the subcontracts, laws and regulations applicable, we design and audit plan that considered among other aspects, the development of the following procedures:

- a. On a selective basis, we identified the terms of the subcontracts, the laws and regulations applicable, and we determine which if not observed, may have a direct and material effect on the Statement of expenditures. For those effects:
 - i. We have enumerated all the impartial and specific clauses of the program included in the subcontracts which cumulatively, if not complied with, may have a direct and material effect on the Statement of expenditures.
 - ii. We have evaluated the inherent and control risk regarding the occurrence of a material non-compliance for each compliance requirement.
 - iii. We determine the nature, opportunity, and duration of the audit procedures to perform tests that determine if there are errors, irregularities and illegal acts, that provide a reasonable safety of detecting intentional or non-intentional non-compliance cases in regards to the terms of applicable subcontracts, regulations and laws that may have a material effect in the Expenditure Statement.
- b. Based on our simple, we determined if the payments were made in accordance with the terms applicable to the subcontracts, laws and regulations.
- c. Based on our simple, we determined if the funds were spent for non-authorized purposes or are not in accordance with the terms applicable to the subcontracts.
- d. Based on our simple, we determined if the reports of the Expenditures Statement of the Project, advances and reimbursement requests contain information that is supported by the accounting books and registries.

VIII. OBSERVATIONS AND RECOMMENDATIONS

8.1. Warehouse of supplies

The administration of projects is located in a facility rented from third-parties prepared as office and warehouse. In regards to the warehouse, we observe the following deficiencies:

- The warehouse is distributed in three rooms whose overall area results insufficient to satisfy the warehouse needs, it lacks of signaling pathways and safety measures in regards to inappropriate use. Also, stairs are shown in bad condition and the extinguishers are not located correctly(in the floor).
- We observed storage of toxic products, which represents danger to the people who work there.
- We observed that some supplies with several years of antiquity that belonged to Research Projects were closed.
- There was no evidence of regular inventory taking to the supplies in the warehouse.
- Supplies are exchanged between the projects.

Recommendation

We recommend Universidad Peruana Cayetano Heredia to relocate in another more appropriate facility, both the Administrative office of the Projects, as well as the warehouses kept in that facility.

Moreover, we suggest to establish as a policy to acquire the least quantity possible of slow-movement inventory in order to avoid excess of stock at the end of the projects.

8.2. Presentation of Expenditures Statements, Trading Statement, reports sent to the funders

Evidence show that the reports provided by the University correspond to the periods budgeted to each Project; however, these do not match with the scope dates of our review. It is worth outstanding that eventhough the reports were not received with our review cut-offs (from January 1, 2014 to December 31, 2014) they did provide the information necessary to perform our review work.

Recommendation

We recommend that the area responsible of creating the reports, take the review dates in consideration, for each project.