



**IAI - Inter American Institute for Global Change
Research**

Management letter
Year ended June 30, 2003



To the
Board of Directors of
IAI - Inter American Institute for Global Change Research
São José dos Campos - SP

August 22, 2003

Dear Sirs,

We have audited the financial statements of IAI - Inter American Institute for Global Change Research for the year ended June 30, 2003 and issued a qualified opinion, as commented below, on August 22, 2003. In planning and performing our audit of the financial statements of IAI - Inter American Institute for Global Change Research we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our audit report.

During our audit, we noted no material weaknesses involving internal control and other operational matters that are warranted to be reported, except for the matters described below. We note, however, that our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist.

According to IAI project management policies, the total amount of the project expenses and liabilities are recognized when the research grant agreements between the IAI and the Research Institutes are signed. Therefore, the amount of the actual expenses under each research grant and the respective amounts payable to the Research Institutes are not recognized in the financial statements each year proportionally to the development of the research activity. Additionally, the IAI has not calculated and recognized the fair value of the accounts receivable and payable related to the research projects at the balance sheets dates. Consequently, the effects of these departures from generally accepted accounting principles in the United States of America on the IAI financial position and results of operations have not been determined. Therefore, we recommend that the IAI management reevaluates the current procedures of accounting for the research grant agreements and the accounts receivable and payable related to the research projects.



This report is intended solely for the information and use of the audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Jarib Fogaça
Partner