



MEMORANDUM

DATE: April 30, 2020

TO: USAID/Philippines Mission Director, Lawrence Hardy II

FROM: USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

SUBJECT: Financial Audit of the Gerry Roxas Foundation, Inc. Under Multiple USAID Awards, January 1, 2018 to February 28, 2019 (5-492-20-032-R)

This memorandum transmits the final audit report of the Gerry Roxas Foundation, Inc. (GRF) under multiple USAID awards. GRF contracted with the independent certified public accounting firm of Isla Lipana & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹ However, it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the Foundation's fund accountability statements; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether GRF's fund accountability statements for the period audited was presented fairly, in all material respects; (2) evaluate GRF's internal controls; (3) determine whether GRF complied with award terms, and applicable laws and regulations; (4) perform an audit of the indirect cost rate; and (5) determine whether GRF has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statements and supporting documentation; evaluated the effectiveness of the

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. The statement of work, however, required the auditors to follow the Guidelines, and this contracted audit followed those Guidelines.

² We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

design and operation of the internal control system; conducted tests of GRF's compliance with award terms and applicable laws and regulations; and assessed status of prior audit recommendations. GRF does not have a USAID-authorized provisional indirect cost rate. GRF was the prime contractor for one project and a subrecipient for another project.³ The audit covered project revenues and costs of \$3,598,787 and \$3,794,561, respectively, from January 1, 2018 to February 28, 2019.

The audit firm concluded that the fund accountability statements presented fairly, in all material respects, project revenues and costs under the awards for the period audited. The audit firm did not identify any questioned costs, significant deficiencies or material weaknesses in internal control, or material instances of noncompliance. The audit firm issued a management letter to GRF identifying two internal control matters/immaterial instances of noncompliance. Finally, the audit firm reported that all prior audit recommendations had been addressed.

Regarding the review of cost-sharing contributions, which is required only under the TB Platforms project, the audit firm reported that GRF contributed \$2,059 during the period audited. The audit firm did not report any questioned costs on these contributions.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated April 30, 2020.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance Tracking System. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").

Attachment: a/s

³ As a prime contractor, the project was subjected to a closeout audit covering the period from January 1, 2018 to February 28, 2019 (Contract AID 492-C-13-00016, Philippine-American Fund). As a subrecipient, the project was subjected to a financial audit covering the period from July 25, 2018 to February 28, 2019 (Subaward from University Research Co., LLC, FY18.7034.001.S001, TB Platforms for Sustainable Detection, Care and Treatment - TB Platforms Project).