



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 27, 2023

TO: USAID/Philippines Mission Director, Ryan Washburn

FROM: USAID OIG Asia Regional Office Assistant Director, Rhonda M. Horried /s/

SUBJECT: Financial Audit of the Regulatory Reform Support Program for National Development Managed by the University of the Philippines Public Administration Research and Extension Services Foundation, Inc. Award 72049219CA00003, for the Year Ending December 31, 2021 (5-492-23-009-R)

This memorandum transmits the audit report on the Regulatory Reform Support Program for National Development (RESPOND) in the Philippines managed by the University of the Philippines Public Administration Research and Extension Services Foundation, Inc. (UPPAF), under the cooperative agreement 72049219CA00003, for the year ending December 31, 2021. UPPAF contracted with the independent certified public accounting firm Punongbayan & Araullo to conduct the audit. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards. However, the audit firm disclosed that it did not have a continuing professional education program and external peer review that fully satisfies the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the recipient's schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the award, laws, and regulations¹.

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the period audited were presented fairly, in all material respects; (2) evaluate UPPAF's internal controls; (3) determine whether UPPAF complied with award terms and applicable laws and regulations; (4) determine whether UPPAF took adequate corrective actions on prior audit recommendations; and (5) determine whether UPPAF complied with cost-sharing contributions as per the award terms. The audit examined the project's revenues and costs of \$3,124,918 and \$3,575,653, respectively, for the audited period.

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify items that need clarification or issues that require management attention. Desk reviews are limited to review of the audit report itself and exclude review of the auditor's supporting work papers; desk reviews are not designed to enable us to directly evaluate the quality of the audit performed.

The audit firm concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, the grants received, and costs incurred under the award for the period audited. The audit firm did not report any material weakness in internal control or material noncompliance. The audit firm identified five significant deficiencies in UPPAF internal control and \$1,089 in questioned costs. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation.

Nevertheless, we suggest that USAID/Philippines determine the allowability of the \$1,089 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Philippines determine if UPPAF addressed the issues noted. The audit firm reported that UPPAF resolved all prior-audit recommendation. Regarding cost-share, the audit firm reported that UPPAF contributed \$86,797 of the total required cost-share of \$117,647. The audit firm issued a management letter.

During our desk review, we noted two areas for improvement which the audit firm should address in future audit reports. We presented it in a memo to the USAID/Philippines controller dated February 27, 2023.

This report does not include recommendations for your action.

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").