



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: April 28, 2023

TO: USAID/Philippines Mission Director, Ryan Washburn

FROM: USAID OIG Deputy Assistant Inspector General for Audit, Christine M. Byrne /s/

SUBJECT: Agreed-Upon Procedures of Philippine Business for Social Progress, Inc.'s Innovations and Multi-Sectoral Partnerships to Achieve Control of Tuberculosis Project that Specifically Covers the Mindanao-Related Transactions and Activities, Award AID-492-A-12-00014, October 1, 2012 to July 31, 2018 (5-492-23-001-O)

This memorandum transmits the final agreed-upon procedures report on the Innovations and Multi-Sectoral Partnerships to Achieve Control of Tuberculosis project. These activities were managed by Philippine Business for Social Progress, Inc. (PBSP). USAID/Philippines contracted with the independent certified public accounting firm of Ramon F. Garcia & Company, CPAs, (the review firm) to conduct the review. The review firm stated that it performed its review in accordance with Philippine Standards on Related Services in conjunction with generally accepted government auditing standards. The review firm disclosed that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. Further, the firm stated that its procedures did not constitute an audit or review of PBSP's schedule of expenditures of USAID awards. The review firm is responsible for the enclosed report and the findings included in it. We do not express an opinion on PBSP's costs pertaining to the selected transactions and activities.¹

The review objectives were to (1) determine whether PBSP observed policies and procedures on procurement in executing selected procurement transactions amounting to Php 120,183,598 or \$ 2,587,376; (2) for procurements not requiring solicitation, examine PBSP's compliance with its vendor accreditation and procurement policy, and for procurements requiring solicitation, review supporting documents such as solicitations, vendor quotations, solicitation summary, and purchase orders, as required in PBSP's policy; (3) determine the authenticity of documents and allowability of the liquidated and/or reimbursed costs for the selected procurement transactions; and (4) review the reasonableness of PBSP's policy in light of sound business and procurement

¹ We reviewed the 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 report itself and excludes review of the reviewer's supporting working papers; they are not designed to enable us to directly evaluate the quality of the review performed.

best practices. The review covered project costs of \$ 2,587,376 or Php 120,183,598² incurred for transactions and activities from October 1, 2012, to July 31, 2018.

The review firm tested the selected procurement transactions and concluded that the transactions amounting to \$2,114,460 or Php 98,216,682² or were not in compliance with PBSP's procurement policy. The details of the findings and the associated questioned costs are summarized in Table 1.

Table 1. Summary of transactions not in compliance with PBSP's procurement policy

No.	Transaction Description	Amount (\$)	Amount (Php)
1	Payments made via cash advance and request form	674,210	31,317,061
2	Procurements through contracts	385,052	17,885,649
3	Procurements through accredited vendors	816,337	37,918,870
4	Procurements with Justification	6,414	297,943
5	Procurements with credit line applications under send bill arrangement	74,018	3,438,136
6	Procurements with one-time vendors	10,461	485,900
7	Procurements with existing vendors prior to USAID	14,323	665,295
8	Procurements that are not classified	133,645	6,207,828
Total Costs		\$2,114,460	Php98,216,682

To address the issues identified in the report, we recommend that USAID/Philippines:

Recommendation 1: Determine the allowability of \$2,114,460 in ineligible costs detailed on page 2 of the agreed-upon procedures report and recover any unallowable amount.

We ask that you provide your written notification of actions planned or taken to reach the management decision. 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").

² OIG computed equivalent USD amounts using the exchange rate of 46.45 obtained by computing the simple average of the annual average rate for 2012 to 2018 published by the World Bank. <https://data.worldbank.org/indicator/PA.NUS.FCRF?locations=PH>