



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: August 27, 2024

TO: USAID/Philippines Mission Director, Ryan Washburn

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

SUBJECT: Financial Audit of Generating Rural Opportunities by the Working with Cooperatives Project in the Philippines, Managed by AgriterraPhils Inc., Agreement 72049220CA00002, January 6, 2020, to December 31, 2021 (5-492-24-044-R)

This memorandum transmits the final audit report on Generating Rural Opportunities by the Working with Cooperatives Project under cooperative agreement 72049220CA00002, from January 6, 2020, to December 31, 2021. AgriterraPhils Inc. manages the project and contracted the independent audit firm, Diaz Murillo Dalupan and Company to conduct the audit. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards (GAGAS), USAID Financial Audit Guide for Foreign Organizations and International Standards on Auditing, in conjunction with GAGAS. However, the audit firm disclosed that it did not have continuing professional education and external peer review programs that fully satisfy GAGAS requirements because professional organizations in the Philippines do not provide 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 recipient's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether AgriterraPhils Inc.'s schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate AgriterraPhils Inc.'s internal controls related to the USAID-funded project; and (3) determine whether AgriterraPhils Inc. complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted this financial audit that covered costs of \$844,732, 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 workpapers; they 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, project revenues and costs incurred under the agreement for the period audited except for \$176,843 in questioned costs (\$12,276 were ineligible and \$164,567 were unsupported). The audit firm only identified \$176,843 in questioned costs because the recipient failed to provide them with the cost sharing contribution schedule, so the firm did not perform related review procedures. However, we include the \$67,026 in cost share and make a recommendation regarding questioned costs of \$243,869 (\$12,276 of ineligible costs and \$231,593 of unsupported costs).

The audit firm identified two instances of material noncompliance but did not identify any material internal control weaknesses. In addition, the audit firm reported several significant deficiencies that the recipient should address. We are not making recommendations for these significant deficiencies, but we suggest that USAID/Philippines determine if the recipient addressed the issues. Furthermore, the audit report included Personally Identifiable Information (PII).

During our desk review, we noted areas for improvement that the audit firm will need to address in future audit reports. We presented these deficiencies in a memorandum to the mission controller dated August 27, 2024.

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

Recommendation 1. Determine the allowability of \$243,869 in questioned costs, (\$12,276 of ineligible costs pertaining to USAID funds and \$231,593 of unsupported costs [\$164,567 pertaining to USAID funds and \$67,026 pertaining to the awardee's cost sharing contributions]), as detailed on pages 21 to 30 and 36 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that AgriterraPhils Inc. corrected the two instances of material noncompliance detailed on pages 33 to 35 of the audit report.

We ask that you provide written notification of actions planned or taken to reach a management decision.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oinotice_ndaa5274@usaid.gov.