



## MEMORANDUM

**DATE:** May 21, 2019

**TO:** USAID/Philippines Mission Director, Lawrence Hardy II

**FROM:** USAID OIG Asia Regional Office Audit Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of the Philippine-American Fund Project in the Philippines Managed by the Gerry Roxas Foundation, Inc., Contract AID 492-C-13-00016, January 1 to December 31, 2017 (5-492-19-033-R)

This memorandum transmits the final audit report on the Philippine-American Fund Project. Gerry Roxas Foundation, Inc. (GRF), contracted with the independent certified public accounting firm Ramon F. Garcia & Company, CPAs, to conduct the audit. The contract required the audit firm to perform the audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

Ramon F. Garcia & Company, CPAs, stated that it performed its audit in accordance with GAGAS except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. Ramon F. Garcia & Company, CPAs, is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the recipient's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

The audit objectives were to (1) express an opinion on whether GRF's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate GRF's internal controls; (3) determine whether GRF complied with contract terms and

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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 mission, however, asked the auditors in its contract to follow the Guidelines, and this contracted audit followed that Guidelines.

<sup>2</sup> 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.

applicable laws and regulations; and (4) determine if GRF has taken corrective actions on prior audit recommendations. To answer the audit objectives, Ramon F. Garcia & Company, CPAs, examined the fund accountability statement; evaluated GRF's internal control systems; tested compliance with agreement terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered project revenues and costs of \$4,298,813 and \$4,296,137, respectively, from January 1 to December 31, 2017.

Ramon F. Garcia & Company, CPAs, concluded that the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the contract for the period audited. However, the audit firm identified ineligible questioned costs of \$18. 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 the mission determine the allowability of the \$18 in ineligible questioned costs and recover any amount determined to be unallowable.

The audit firm did not identify any significant deficiencies or material weaknesses in internal control, or material instances of noncompliance. The audit firm also issued a management letter to GRF identifying other internal control matters.

Finally, the audit firm reported that (1) GRF does not have a USAID-authorized provisional indirect cost rate; (2) the contract does not require cost-sharing contributions although most grants awarded by GRF have cost-sharing component; and (3) prior audit recommendations had been addressed except for one finding which was a management letter issue in the prior year that we did not consider to be a significant item.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memorandum to the controller dated May 21, 2019.

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