



## MEMORANDUM

**DATE:** June 7, 2019

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

**FROM:** USAID OIG Asia Regional Office Acting Audit Director, Michael Hutchinson /s/

**SUBJECT:** Financial Audit of the Education Governance Effectiveness Program in the Philippines Managed by Synergeia Foundation, Inc., Cooperative Agreement AID-492-A-13-00008, January 1 to December 31, 2017 (5-492-19-039-R)

This memorandum transmits the final audit report on the Education Governance Effectiveness Program. Synergeia Foundation, Inc., contracted with the independent certified public accounting firm Diaz Murillo Dalupan and Company 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>

Diaz Murillo Dalupan and Company 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. Diaz Murillo Dalupan and Company 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 the recipient's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the recipient's internal controls; and (3) determine whether Synergeia Foundation, Inc.,

---

<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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

complied with agreement terms and applicable laws and regulations (including cost-sharing contributions). To answer the audit objectives, Diaz Murillo Dalupan and Company examined the fund accountability statement; evaluated the recipient's internal control systems; and tested compliance with agreement terms and applicable laws and regulations. The audit covered program revenues and costs of \$1,204,199 and \$1,333,941, respectively, from January 1 to December 31, 2017.

Diaz Murillo Dalupan and Company concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the agreement 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 also issued a management letter to Synergeia Foundation, Inc., identifying other internal control matters.

On the review of cost-sharing contributions, which are required under the program, the audit firm reported that Synergeia Foundation, Inc., contributed \$524,588 during the period reviewed. The audit firm did not report any questioned cost-sharing contributions. Further, there were no outstanding prior audit recommendations. Finally, the mission confirmed that Synergeia Foundation, Inc., did not have a USAID-authorized provisional indirect costs rate.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated June 7, 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