



## MEMORANDUM

**DATE:** July 15, 2019

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

**FROM:** USAID/OIG Asia Regional Office Acting Audit Director, David Clark /s/

**SUBJECT:** Financial Audit of the Innovations and Multi-Sectoral Partnerships to Achieve Control of Tuberculosis Project Managed by the Philippine Business for Social Progress, Inc., Cooperative Agreement AID-492-A-12-00014, October 1, 2016, to September 30, 2017 (5-492-19-047-R)

This memorandum transmits the final audit report on the Innovations and Multi-Sectoral Partnerships to Achieve Control of Tuberculosis project. The Philippine Business for Social Progress, Inc. (PBSP) 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 the 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>

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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

The audit objectives were to (1) express an opinion on whether PBSP's fund accountability statement for the periods audited was presented fairly, in all material respects; (2) evaluate PBSP's internal controls; (3) determine whether PBSP complied with agreement terms (including cost-sharing contributions) and applicable laws and regulations; (4) perform an audit of the indirect cost rate; and (5) determine whether PBSP has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement; evaluated the internal control system and assessed all related risks; tested compliance with agreement terms and applicable laws and regulations; determined the actual indirect cost rate for the year ended September 30, 2017; and assessed status of prior audit recommendations. The audit covered project revenues and costs of \$2,842,164 and \$2,993,132 respectively, from October 1, 2016, to September 30, 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 agreement for the period audited. The audit firm did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that the mission determine if the recipient addressed the issue noted. The audit firm also issued a management letter to the recipient identifying one other internal control matter and one nonmaterial instance of noncompliance.

Regarding the review of cost-sharing contributions, the audit firm reported that PBSP contributed \$206,610 for the period audited. The audit firm did not report any questioned costs on these contributions.

Finally, the audit firm reported that (1) the schedule of the computation of the indirect cost rate was fairly stated in all material respects and (2) prior audit recommendations had been addressed except for the finding related to a significant deficiency in internal control in the prior year that was reported again in the current year audit report under Finding 1 on page 28 and a management letter issue in the prior year that we did not consider to be a significant item.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We also made a suggestion to the mission. We presented the issues and suggestion in a memorandum to the controller dated July 15, 2019.

Given the above results of the audit, we are not making any recommendations. 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