



MEMORANDUM

DATE: October 28, 2019

TO: USAID/Philippines Acting Mission Director, Maram Talaat

FROM: USAID OIG Asia Regional Office Acting Audit Director, Emily Gardiner /s/

SUBJECT: Closeout Audit of the Communication for Health Advancement Through Networking and Governance Enhancement Project in the Philippines Managed by Campaigns & Grey Philippines, Contract AID-492-C-13-00005, January 1, 2017, to January 31, 2018; and Financial Audit Addressing Specific USAID Concerns, February 1, 2013, to January 31, 2018 (5-492-20-001-N)

This memorandum transmits the final audit report on the Communication for Health Advancement Through Networking and Governance Enhancement Project in the Philippines, managed by Campaigns & Grey Philippines (C&G). USAID/Philippines contracted with the independent certified public accounting firm Ramon F. Garcia & Company, CPAs to conduct the audit. Ramon F. Garcia & Company, CPAs stated that it performed its audit in accordance with U.S. generally accepted government auditing standards (GAGAS). However, 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 contractor's fund accountability statement; 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 C&G's fund accountability statement for the period from January 1, 2017, to January 31, 2018 was presented fairly, in all material respects; (2) evaluate C&G's internal controls; (3) determine whether C&G complied with contract terms and applicable laws and regulations; (4) determine if C&G had taken adequate corrective actions on prior audit recommendations; and (5) address the mission's specific concerns such as to determine whether USAID was (a) billed for personnel costs of

¹ 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.

C&G employees who worked on other projects; (b) double billed for meal and incidental expenses; or (c) billed for travel and transportation expenses that include unallowable costs, during the life of the contract starting from February 1, 2013.² 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 contract terms and applicable laws and regulations; assessed the status of prior audit recommendations; and performed procedures to address the mission's specific concerns. The audit covered project revenues and costs of \$2,838,795 and \$2,403,959, respectively, from January 1, 2017, to January 31, 2018.

Ramon F. Garcia & Company, CPAs concluded that, except for the effects of the questioned costs totaling \$10,736 (ineligible), the fund accountability statement presented fairly in all material respects, project revenues and costs incurred under the contract for the period from January 1, 2017 to January 31, 2018. The ineligible questioned costs pertained to (1) overcharged salaries – \$2,309; (2) overcharged retirement benefits – \$7,420; (3) payment of unallowable value added taxes – \$305; and (4) fixed fee related to questioned costs – \$702. Further, for the costs incurred under the contract for the period from February 1, 2013 to December 31, 2016, the audit firm identified questioned costs of \$42,741 (\$42,188 ineligible and \$553 unsupported). The ineligible questioned costs pertained to (1) overcharged salaries and fringe benefits – \$39,428; and (2) fixed fee related to questioned costs – \$2,760. The unsupported questioned costs pertained to (1) cash advance liquidation without adequate documents to support the travel costs incurred by the employees – \$517; and (2) fixed fee related to questioned costs – \$36. Thus, we are making a recommendation to the mission to determine the allowability of and recover, as appropriate, the total questioned costs of \$53,477 (\$10,736 plus \$42,741; \$52,924 [\$10,736 plus \$42,188] ineligible and \$553 unsupported).

The audit firm did not identify any material weaknesses in internal control but identified three material instances of noncompliance which were all related to the questioned costs. Since the project had ended and USAID/Philippines does not have existing or planned awards with the recipient, we are not making any procedural recommendations. The audit firm also issued a management letter to C&G identifying two other internal control matters. Further, one of the two prior audit recommendations had not been satisfactorily addressed and was reported again in the current audit report.

During our desk review, we noted two minor issues which the audit firm will need to address in future audit reports. We presented this issue in a memorandum to the controller dated October 28, 2019.

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

Recommendation 1. Determine the allowability of and recover, as appropriate, the total questioned costs of \$53,477 (\$52,924 ineligible and \$553 unsupported) as discussed on page 2 of this memorandum and detailed in Findings 1, 2, and 3 on pages 20–24 and Findings 1 and 2 on pages 38–41 of the audit report.

² The fifth audit objective was included in the audit scope section of the audit report on page 3 and detailed in the audit contract statement of work on page 4.

We ask that you provide your written notification of actions planned or taken to reach 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”).

Attachment: a/s