



## MEMORANDUM

**DATE:** November 13, 2020

**TO:** USAID/Philippines Acting Mission Director, Patrick Wesner

**FROM:** USAID OIG Asia Regional Office USDH NFA Coordinator, James C. Charlifue /s/

**SUBJECT:** Financial Audit of Philippine Business for Education, Inc., Under the Youthworks PH Project in the Philippines, Cooperative Agreement 72049218CA00006, June 1, 2018 to December 31, 2019 (5-492-21-006-R)

This memorandum transmits the final audit report on the Youthworks PH Project managed by Philippine Business for Education, Inc. The recipient contracted with the independent certified public accounting firm of Punongbayan & Araullo Grant Thornton. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the USAID Financial Audit Guide for Foreign Organizations. However, it did not fully comply with the requirements on having a continuing professional education program and 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 Philippine Business for Education, Inc.'s fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the fund accountability statements for the periods audited were presented fairly, in all material respects; (2) evaluate Philippine Business for Education, Inc.'s internal controls; (3) determine whether Philippine Business for Education, Inc. complied with award terms and applicable laws and regulations; and (4) determine whether Philippine Business for Education, Inc. took adequate corrective actions on prior audit findings and recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement, evaluated the internal control system and checked whether the relevant control policies were in place, and tested compliance with award terms

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<sup>1</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.

and applicable laws and regulations. There were no prior audit recommendations because this is the first financial audit of this award. The audit covered program revenues and costs of \$1,245,602 and \$1,187,015 respectively, from June 1, 2018 to December 31, 2019.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$3,033 in total ineligible questioned costs which was also related to one material instance of noncompliance. 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 related to the questioned costs. Nevertheless, we suggest that USAID/Philippines determine the allowability of the \$3,033 in questioned costs and recover any amount determined to be unallowable. The audit firm also noted other matters involving the project's internal control and its operation that they have reported in a separate letter.

During our desk review, we noted an issue that the audit firm will need to address in future audit reports. We presented this issue in a memorandum to the mission's controller dated November 13, 2020.

Given the above results of the audit, we are making one recommendation related to the one material instance of non-compliance. We recommend that USAID/Philippines:

**Recommendation I.** Verify that Philippine Business for Education, Inc. corrects the one instance of material noncompliance detailed on pages 17-19 of the audit report.

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").