



## MEMORANDUM

**DATE:** June 11, 2021

**TO:** USAID/Philippines Acting Mission Director, Maram Talaat

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

**SUBJECT:** Closeout Audit of Community Maternal, Neonatal, Child Health and Nutrition Scale Up Follow-on Program Managed by the Integrated Midwives Association of the Philippines, Inc., Cooperative Agreement AID-492-A-16-00004, August 1, 2016, to December 31, 2019 (5-492-21-029-R)

This memorandum transmits the final closeout audit report on the Community Maternal, Neonatal, Child Health and Nutrition Scale Up Follow-on Program in the Philippines managed by the Integrated Midwives Association of the Philippines, Inc. (IMAP). IMAP contracted with the independent certified public accounting firm of Punongbayan & Araullo to conduct the audit. 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 reviews. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the recipient's fund accountability statement (FAS), 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 IMAP's FAS for the period audited was presented fairly, in all material respects; (2) evaluate IMAP's internal controls; (3) determine whether IMAP complied with the agreement terms (including cost-sharing contributions), and applicable laws and regulations; and (4) determine if IMAP had taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the program's FAS and supporting documentation; obtained sufficient understanding of IMAP's internal control systems and assessed control risks; tested compliance with agreement terms, applicable laws, and regulations; and assessed the status of prior audit

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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.

reports. The audit covered program revenues and costs of \$1,499,800 and \$1,530,469, respectively, from August 1, 2016, to December 31, 2019.

The audit firm concluded that except for the effect of the questioned costs totaling \$34,253 (\$17,905 ineligible and \$16,348 unsupported), the FAS presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. The ineligible questioned costs pertained to (1) travel and transportation expenses that exceeded the prescribed limits - \$5,523 or Php283,737 (Finding 4, page 27) and (2) payment of unallowable value added taxes - \$12,382 or Php636,203 (Finding 5, page 28). The unsupported questioned costs pertained to procurement that lacked price quotations from at least three suppliers - \$16,348 or Php839,968 (Finding 2, page 25).

The audit firm did not identify any material weaknesses in internal control but identified four significant deficiencies in internal control, of which two are associated with the questioned costs in the FAS. The audit firm also identified two material instances of noncompliance, with one associated with the questioned costs in the FAS. The audit firm also issued a management letter to IMAP identifying four internal control issues and one immaterial instance of noncompliance. Further, the audit firm reported that all prior year audit findings had been resolved, except for items noted.

Regarding cost-sharing contributions, the audit firm reported that the recipient contributed \$115,797 for the life-of-project (LOP), which fully satisfies the \$90,599 LOP cost-sharing contributions required by the agreement. The audit firm did not report any questioned costs on the contributions.

There are several issues that the mission and the audit firm will need to address in future audit reports. We provided these issues in a memorandum to the controller dated June 11, 2021.

Since the award to IMAP had ended and USAID/Philippines does not have any existing or planned awards with IMAP, we are not making any procedural recommendations. To address the questioned cost issues identified in the report and discussed in this memorandum, we recommend that USAID/Philippines:

**Recommendation 1.** Determine the allowability of \$34,253 (\$17,905 ineligible and \$16,348 unsupported) in questioned costs as detailed in Findings 2, 4, and 5 on pages 25 to 29 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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