



MEMORANDUM

DATE: September 13, 2021

TO: USAID/Philippines Acting Mission Director, Sean Callahan

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

SUBJECT: Closeout 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, 2017, to July 31, 2018 (5-492-21-036-R)

This memorandum transmits the final audit report on the Innovations and Multi-Sectoral Partnerships to Achieve Control of Tuberculosis Project in the Philippines managed by the Philippine Business for Social Progress, Inc. (PBSP). PBSP contracted with the independent certified public accounting firm of Diaz Murillo Dalupan and Company to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹ 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 PBSP's fund accountability statement (FAS); the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients recognizing the Agency's role to impose requirements on its implementing partners and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. However, the mission in its contract asked the auditor to follow the Guidelines, which they performed.

² We reviewed the audit 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 audit firm'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 FAS for the period audited was presented fairly, in all material respects; (2) evaluate PBSP's internal controls; (3) determine whether PBSP complied with agreement terms and applicable laws and regulations (including cost-sharing contributions); (4) perform an audit of the indirect cost rate; and (5) determine if PBSP has taken corrective actions on prior audit report recommendations.

To answer the audit objectives, the audit firm examined the FAS and supporting documentation; evaluated PBSP's internal controls over financial reporting; tested compliance with agreement terms and applicable laws and regulations; reviewed the allocation method to determine whether the indirect cost pool and distribution base include only allowable items; and reviewed the status of prior audit recommendations. The audit covered project revenues and costs of \$1,062,829 and \$1,447,306, respectively, from October 1, 2017, to July 31, 2018.

The audit firm concluded that the FAS 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 internal control matter and one nonmaterial instance of noncompliance.

Regarding cost-sharing contributions, the audit firm reported that PBSP contributed \$43,197 for the period audited. The audit firm did not report any questioned costs on these contributions. Further, the audit report disclosed that PBSP has fulfilled the required cost-sharing contribution of \$284,331.

Finally, the audit firm reported that the (1) schedule of the computation of the indirect cost rate was fairly stated in all material respects, (2) nonexpendable properties procured with project funds were disposed of in accordance with the disposition plan, and (3) prior audit recommendations were addressed, except for one finding on PBSP's delay in the submission of an indirect cost rate proposal that it had reported in the current management letter.

There are several issues that the mission and the audit firm will need to address in future audit reports. We have discussed these issues in a memorandum to the mission controller dated September 13, 2021.

The report does not include any recommendations.

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