



MEMORANDUM

DATE: November 29, 2021

TO: USAID/Philippines Acting Mission Director, Sean Callahan

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

SUBJECT: Financial Audit of the Regulatory Reform Support Program for National Development Managed by the University of the Philippines Public Administration Research and Extension Services Foundation, Award 72049219CA00003, April 16, 2019 to December 31, 2020 (5-492-22-005-R)

This memorandum transmits the final audit report on the Regulatory Reform Support Program for the National Development Project in the Philippines managed by the University of the Philippines Public Administration Research and Extension Services Foundation, Inc. (UPPAF). UPPAF 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. However, it disclosed that it did not have (1) an external independent peer review because this is not offered in the Philippines, and (2) a continuing education program that fully satisfies the standards' requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on UPPAF's schedule of expenditures of USAID awards; 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 UPPAF's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate UPPAF's internal controls; and (3) determine whether UPPAF complied with agreement terms and applicable laws and regulations (including cost-sharing contributions and USAID pre-award survey recommendations).

¹ 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.

To answer the audit objectives, the audit firm examined the schedule of expenditures of USAID awards and its supporting documents; evaluated UPPAF's internal control systems; and tested compliance with agreement terms and applicable laws and regulations. The audit covered project revenues and costs of \$2,980,231 and \$2,539,192, respectively, from April 16, 2019, to December 31, 2020.

The audit firm concluded that the schedule of expenditures of USAID awards 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. However, it identified one significant deficiency in internal control and one instance of material noncompliance. The significant deficiency in internal control pertained to project expenses that were not supported by properly filled out receipts. The instance of material noncompliance related to the late filing of tax returns and payment of withholding tax on compensation. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Philippines determine if UPPAF addressed the issue noted. The audit firm also reported, as other matters, a deficiency involving internal control pertaining to improper stamping of journal vouchers.

Regarding cost-sharing, the audit firm reported that UPPAF contributed \$49,002 for the period audited. The audit firm did not report any questioned costs on these contributions. The audit firm also concluded that UPPAF addressed USAID's pre-award survey recommendations.

There is a minor issue that the audit firm will need to address in future audit reports. We presented the issue in a memorandum to the mission controller dated November 29, 2021.

To address the issue identified in the report and discussed above, we recommend that USAID/Philippines:

Recommendation 1. Verify that the University of the Philippines Public Administration Research and Extension Services Foundation, Inc. corrects the instance of material noncompliance detailed on page 19 of the audit report.

We ask that you provide 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