



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** October 22, 2024

**TO:** USAID/Philippines and Mongolia Mission Director, Ryan Washburn

**FROM:** Asia Regional Office, Assistant Director, Rhonda M. Horried /s/

**SUBJECT:** Financial Audit of Political Participation for Greater Electoral Integrity Project in the Philippines, Managed by Ateneo de Manila University – School of Government, Cooperative Agreement 72049220CA00007, August 1, 2020, to May 31, 2022 (5-492-25-002-R)

This memorandum transmits the final audit report on Political Participation for Greater Electoral Integrity project managed by Ateneo de Manila University – School of Government (ADMU) under cooperative agreement 72049220CA00007, from August 1, 2020, to May 31, 2022. The ADMU contracted with the independent audit firm, Isla Lipana & Co. to conduct the audit. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID Financial Audit Guide for Foreign Organizations. However, the audit firm disclosed that it did not have continuing professional education and external peer review programs that fully satisfy GAGAS requirements. 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 schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were mainly to (1) express an opinion on whether ADMU's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate ADMU's internal controls related to the USAID-funded project; and (3) determine whether ADMU complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted this financial audit that covered costs of \$1,304,084, for the audited period.

The audit firm concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period

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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 items that need clarification or issues that require management attention. Desk reviews are limited to review of the audit report itself and exclude review of the auditor's supporting workpapers; they are not designed to enable us to directly evaluate the quality of the audit performed.

audited except for \$303,925 in total questioned costs (\$1,467 ineligible and \$302,458 unsupported). The audit firm identified eight material weaknesses in internal control related to the questioned costs, and five material instances of noncompliance. In addition, although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID/Philippines determine if the recipient addressed the issues noted. The audit report included Personally Identifiable Information (PII). Further, the audit firm issued a management letter that had no material issues that required a recommendation.

During our desk review, we noted areas for improvement that the audit firm will need to address in its future audit reports. We presented these deficiencies in a memorandum to the mission controller dated October 22, 2024.

To address the eight material weaknesses in internal control related to the questioned costs, and five material instances of noncompliance issues identified in the report, we recommend that USAID/Philippines:

**Recommendation 1.** Determine the allowability of \$303,925 in questioned costs, (\$1,467 of ineligible costs and \$302,458 of unsupported) on pages 30 to 63 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that ADMU corrects the 8 material weaknesses in internal control detailed on pages 30 to 44 of the audit report.

**Recommendation 3.** Verify that ADMU corrects the 5 instances of material noncompliance detailed on pages 32 to 33, and 36 to 44 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”). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oinotice\\_ndaa5274@usaid.gov](mailto:oinotice_ndaa5274@usaid.gov).