



## MEMORANDUM

**DATE:** September 14, 2020

**TO:** USAID/Philippines Mission Director, Lawrence Hardy II

**FROM:** USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

**SUBJECT:** Agreed-Upon Procedures of Philippine Business for Social Progress, Inc.'s Innovations and Multi-Sectoral Partnerships to Achieve Control of Tuberculosis Project that Specifically Covers the Mindanao-Related Transactions and Activities, Cooperative Agreement AID-492-A-12-00014, October 1, 2012 to July 31, 2018 (5-492-20-001-O)

This memorandum transmits the final agreed-upon procedures report on the Innovations and Multi-Sectoral Partnerships to Achieve Control of Tuberculosis project that specifically covers the Mindanao-related transactions and activities managed by Philippine Business for Social Progress, Inc. (PBSP). USAID/Philippines contracted with the independent certified public accounting firm of Ramon F. Garcia & Company, CPAs, to conduct the review. The audit firm stated that it performed its review in accordance with Philippine Standards on Related Services (PSRS 4400, Engagements on Agreed-Upon Procedures) in conjunction with generally accepted government auditing standards (GAGAS). However, it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. Further, the audit firm stated that the procedures performed do not constitute an audit or review of the complete fund accountability statements; thus, no assurance is expressed in the fund accountability statements of PBSP. The audit firm is responsible for the enclosed report that shows the result on the review of disbursement transactions including supporting documents. We do not express an opinion on PBSP's costs pertaining to the Mindanao-related transactions and activities.<sup>1</sup>

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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 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 review performed.

The review objectives were to (1) determine if PBSP's records and documents reconcile with liquidations and/or reimbursements submitted to USAID; (2) determine the authenticity of supporting documents to support liquidated and/or reimbursed costs; (3) determine the amount of misappropriated USAID funds resulting from tampered and/or falsified documents; and (4) determine whether policies and procedure on procurement had been properly observed. To answer the review objectives, the audit firm reviewed the policies and procedures on procurement and liquidation for expenses, examined the disbursement transactions and supporting documents, and interviewed PBSP personnel. The review covered project costs of \$4,372,403 pertaining to the Mindanao – related transactions and activities from October 1, 2012 to July 31, 2018.

Ramon F. Garcia & Company, CPAs, concluded that PBSP's records and documents were reconciled with liquidations and/or reimbursements submitted to USAID (by region/office). However, the audit firm identified questioned costs totaling \$9,911 pertaining to the following: (1) manual official receipts on meals were possibly tampered either by inflating amounts, adding number(s) at the beginning or end of the original amount, or changing a number such as from one to four – \$2,455, and (2) amounts claimed on transportation vouchers were doubtful because the vouchers were not accomplished by one person—like the costs to be reimbursed were (a) written by the final approver while the other information were written by a participant, and (b) multiplied by two by a person other than the participant after the participant signed the voucher – \$7,456. 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. Nevertheless, we suggest that the mission determine the allowability of the \$9,911 in questioned costs and recover any amount determined to be unallowable.

Further, the audit firm reported that for transactions that meet the canvassing threshold, PBSP was unable to provide the canvassing reports to support the bidding process that was undertaken for procurement totaling \$3,607,229. However, PBSP provided the following explanations why canvassing reports were unavailable for procurement totaling \$3,607,229: (1) canvassing was no longer required because the vendors were accredited by PBSP – \$2,550,672, (2) the amount pertained to cash advance liquidations by the project staff – \$970,345, and (3) PBSP claimed that these transactions should have canvassing reports – \$86,212. For PBSP's no. 2 explanation, the audit firm indicated that individual transaction in the liquidation report was less than the threshold that required canvassing; thus, it considered the procurement valid. However, for PBSP's nos. 1 and 3 explanations, the audit firm indicated that it could not validate PBSP's claim that the vendors were accredited by PBSP and transactions have canvassing reports because supporting documents such as a vendor's accreditation form, accreditation report and certificate, and canvassing reports were not available. Additionally, it reported that PBSP could not provide these documents due to the lockdown for reasons related to the pandemic of COVID-19. Thus, we bring to the mission's attention for consideration of further action to determine the allowability of the unsupported procurement totaling \$2,636,884 (\$2,550,672 for item 1 plus \$86,212 for item 3).

Given the above results of the review, we are not making 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