



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: March 14, 2024

TO: USAID/Philippines Mission Director, Ryan Washburn

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

SUBJECT: Audit of Philippine Business for Education, Inc. Under Multiple Awards in Philippines, January 1 to December 31, 2022 (5-492-24-026-R)

This memorandum transmits the final audit report on Philippine Business for Education, Inc. incurred costs under the following awards:

Award Name (Type)	Award Number	Period	Sub-implementer
YouthWorks PH Project (cooperative agreement)	72049218CA0 0006	January 1 to December 31, 2022	n/a
Opportunity 2.0 (Subaward)	2020-0082	January 1 to December 31, 2022	Philippine Business for Education, Inc.

The auditee contracted with the independent audit firm, P&A Grant Thornton, to conduct the audit. The audit firm stated it performed its audit in accordance with International Standards on Auditing in conjunction with the United States Government Auditing Standards, 2 U.S. Code of Federal Regulations Part 200, and USAID Financial Audit Guide for Foreign Organizations. The audit firm did not have external quality control review or continuing education programs that fully satisfy the standards' requirements. The audit firm explained that the Philippines does not offer an external quality control review program. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's schedule of expenditures; the effectiveness of its internal controls; or its compliance with the awards, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the schedule of expenditures for the period audited was presented fairly, in all material respects; (2) evaluate

¹ 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.

the auditee's internal controls; and (3) determine whether the auditee complied with the awards terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$1,291,605 from January 1 to December 31, 2022.

The audit firm concluded the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited. The audit firm identified ineligible questioned costs of \$ 7,779. The audit firm identified one instance of material noncompliance and did not identify any material weaknesses in internal control. Further, the audit firm issued a management letter. Since the ineligible 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 USAID/ Philippines determine the allowability of the \$7,779 and recover any amounts determined to be unallowable.

During our desk review, we noted an area for improvement which the audit firm should address in future audit reports. We presented this area in a memo to the controller, dated March 14, 2024.

To address the issue identified in the report, we recommend USAID/ Philippines:

Recommendation I. Verify that Philippine Business for Education, Inc. corrects the one instance of material noncompliance detailed on pages 29 to 31 of the audit report.

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.²

² 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.