

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
SINGAPORE

PD-ABD-684
ISN 75388

**Audit of the Volunteers Program for
Social Development Workers Grant to
Philippine Business for Social Progress
under the PVO Co-Financing III
Project - Philippines**

**Audit Report No. 2-492-92-03-N
November 7, 1991**

**CONTRACTOR INFORMATION
CONTAINED IN THIS REPORT MAY BE
PRIVILEGED; THE RESTRICTIONS OF 18
USC 1905 SHOULD BE CONSIDERED
BEFORE ANY INFORMATION IS
RELEASED TO THE PUBLIC.**

**UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
RESIDENT AUDIT OFFICE
MANILA**

UNITED STATES POSTAL ADDRESS
USAID/RAO/Manila
APO AP 96440

INTERNATIONAL POSTAL ADDRESS
c/o AMERICAN EMBASSY
MANILA, PHILIPPINES

DATE: November 7, 1991

MEMORANDUM

**TO: Mr. Malcolm Butler
Director, USAID/Philippines**

**FROM: *Dennis L. Smith*
Dennis L. Smith
Resident Auditor**

**SUBJECT: Audit of the Volunteers Program for Social
Development Workers Grant to Philippine
Business for Social Progress under the
PVO Co-Financing III Project - Philippines
Audit Report No. 2-492-92-03-N**

The accounting firm Carlos J. Valdes & Co., an affiliate of Coopers and Lybrand, performed an audit of Philippine Business for Social Progress. Five copies of the audit report are attached for your action.

The Private Voluntary Organization (PVO) Co-Financing III Project is a \$15 million AID-financed activity to increase productivity, income and employment of target beneficiaries and improve the institutional capacities of PVOs and cooperatives in managing development activities. On August 22, 1989, A.I.D. provided an \$85,000 grant to Philippine Business for Social Progress (PBSP) to support the implementation of the Volunteers Program for Social Development Workers. The grant objective was to develop a pool of trained social development workers to fill the manpower needs of the social development industry. The grant was for one year but it was subsequently extended through September 14, 1991. The audit covered expenditures of \$79,662 from September

15, 1989, through June 30, 1991.

The audit objectives were to determine whether (1) expenditures were allocable, allowable and reasonable; (2) the terms of the grant agreement and applicable laws and regulations were complied with and (3) internal controls were adequate to segregate and account for A.I.D. funds.

The auditors concluded that the Expenditure Report presents fairly the disbursements of the grant, but they identified \$28,877 in costs that were inadequately documented or were not in accordance with the grant agreement as detailed in Exhibit II of the report. Also, the auditors concluded that PBSP did not comply with some of the terms of the grant agreement as detailed in Appendix I of the report. Finally, the auditors identified several matters in PBSP's internal control structure and its operation that were considered not material internal control weaknesses as detailed in Appendix II of the report.

PBSP officials agreed with the audit findings and recommendations and their comments are included in Appendix I, Appendix II and Exhibit II of the report.

On October 25, 1991, USAID/Philippines amended the grant agreement to bring \$28,841 in questioned costs into compliance with the terms of the grant agreement.

Recommendation No. 1: We recommend that USAID/Philippines ensure that the internal control weaknesses identified in the report that are applicable to existing agreements with the Philippine Business for Social Progress are corrected. These weaknesses include

- **non-documentation of procurements for training venues, catering services and lodging;**
- **non-submission of supporting documentation for interoffice charges and**
- **misclassification of some expenditure items as counterpart contributions.**

Please advise me within 30 days of any actions planned or taken to close the recommendation.

**Carlos J Valdes
& Co**

certified public accountants

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in association with
Coopers & Lybrand (International)

Bacolod Cebu Davao
Cagayan de Oro

October 28 , 1991

Resident Audit Office
United States Agency for International
Development
4th Floor, Thomas Jefferson Cultural Center
395 Sen. Gil Puyat Avenue
Makati, Metro-Manila

Attention: Mr. Dennis L. Smith
Resident Auditor, RAO/M

Dear Mr. Smith:

This report presents the results of the Non-Federal Audit of Grant No. 492-0419-G-SS-9113-00 for the Volunteers Program for Social Development Workers implemented by the Philippine Business for Social Progress.

A. BACKGROUND

On August 22, 1989, the United States Agency for International Development (USAID) signed an agreement with the Philippine Business for Social Progress (PBSP) to provide financial support for the Volunteers Program for Social Development Workers. This program aims to develop a pool of trained social development workers from which the social development industry can source personnel to fill their manpower needs. As provided in the Program of Work, PBSP will recruit 30 volunteers who will attend a one-month intensive training course to be conducted by PBSP's Social Development Management Institute (SDMI). After completion of the training, PBSP will field the volunteers to various NGOs where they shall serve as staff volunteers for a period of one year.

Initially, the total program cost amounts to ₱2,285,000 (\$114,805), where ₱1,785,000 (\$85,000) will be funded by USAID and ₱500,000 (\$29,805) will be the counterpart contribution of PBSP. Grant funds will be used to finance the participants costs (field costs for volunteers assigned to various NGOs), group life, accident and health insurance and training expenses.

The Grant Agreement was amended to provide additional funds in the amount of ₱300,786 which came from savings as a result of the devaluation of the Philippine Peso. This brought total grant funds to ₱2,085,786 (\$85,000) and counterpart contribution to ₱731,375 (\$29,805). In addition, the program was extended for another year from September 14, 1990 until September 14, 1991.

-1-

B. OBJECTIVES AND SCOPE OF WORK

As stated in the Delivery Order, the objectives of this non-federal audit are to determine whether:

- o disbursements made under the grant were in fact allocable, allowable and reasonable.
- o internal controls were adequate to segregate and account for USAID funds.
- o agreement terms and laws and regulations were complied by the Grantee.

The scope of our audit covers grant receipts and disbursements for the period September 15, 1989 to June 30, 1991. Total USAID advances and PBSP disbursements as of June 30, 1991 amounted to ₱2,002,812 (\$76,493) and ₱2,085,786 (\$79,662), respectively. (See Exhibit I - Expenditure Report).

During the audit process, we were alert to transactions or events that could be indicative of fraud, waste or abuse of U.S. Government Funds.

C. RESULTS OF EXAMINATION

The following are the results of our examination:

1. Financial Review

Our audit disclosed that disbursements amounting to ₱756,011 (\$28,877) were questionable because they were not allowable, allocable and reasonable as embodied in the agreement terms for reimbursible costs. However, as a result of the grant modification executed on October 25, 1991, ₱755,048 (\$28,841) of this amount were resolved. (See Exhibit II)

2. Compliance Review

Certain agreement terms and laws and regulations were not complied by the Grantee. An instance of noncompliance which has a significant impact on the Expenditure Report was resolved as a result of the grant modification mentioned in No. 1.

3. Review of Internal Control System

The internal control structure of the Grantee is substantially adequate to administer grant funds.

For the purpose of quantifying Philippine Pesos into U.S. Dollars, we used the exchange rate of ₱26.18 to US\$1.00 which represents the average exchange rate of the total cumulative advances in pesos to the total cumulative advances in dollars from September 15, 1989 through June 30, 1991.

We present in the succeeding sections the details of our report.

- Section I - Independent Auditor's Report
- Section II - Appendices
- Section III - Exhibits

Very truly yours,

CARLOS J. VALDES & CO.

By:


MINDA O. LEDESMA
Partner

INDEPENDENT AUDITOR'S FINANCIAL REPORT

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT NO. AID 492-0419-G-SS-9113-00
FOR THE VOLUNTEERS PROGRAM FOR SOCIAL DEVELOPMENT WORKERS

ADMINISTERED BY:

PHILIPPINE BUSINESS FOR SOCIAL PROGRESS

We have audited the Expenditure Report of PHILIPPINE BUSINESS FOR SOCIAL PROGRESS for the Volunteers Program for Social Development Workers from September 15, 1989 to June 30, 1991. This report is the responsibility of PHILIPPINE BUSINESS FOR SOCIAL PROGRESS' management. Our responsibility is to express an opinion on this report based on our audit.

We conducted the audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Expenditure Report is free of material misstatements. The audit includes examining, on a test basis evidence supporting the amounts, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Expenditure Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit disclosed that disbursements claimed amounting to ₱756,011 (\$28,877) were questionable because they were not allowable, allocable and reasonable as embodied in the agreement terms for reimbursible costs. Of this amount, ₱755,048 (\$28,841) were resolved as a result of the grant modification executed on October 25, 1991.

In our opinion, the Expenditure Report presents fairly the disbursements of PHILIPPINE BUSINESS FOR SOCIAL PROGRESS for the Volunteers Program for Social Development Workers from September 15, 1989 to June 30, 1991, in conformity with generally accepted accounting principles applied on a consistent basis.

Ranbor J. Malden & Co.

Metro-Manila, Philippines
October 25, 1991

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT NO. AID 492-0419-G-SS-9113-00
FOR THE VOLUNTEERS PROGRAM FOR SOCIAL DEVELOPMENT WORKERS

ADMINISTERED BY:

PHILIPPINE BUSINESS FOR SOCIAL PROGRESS

We have audited the Expenditure Report of PHILIPPINE BUSINESS FOR SOCIAL PROGRESS for the Volunteers Program for Social Development Workers from September 15, 1989 to June 30, 1991 and have issued our report thereon dated October 25, 1991. We conducted the audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Expenditure Report is free of material misstatement.

Compliance with agreement terms and laws and regulations applicable to PHILIPPINE BUSINESS FOR SOCIAL PROGRESS is the responsibility of PHILIPPINE BUSINESS FOR SOCIAL PROGRESS' management. As part of obtaining reasonable assurance about whether the Expenditure Report is free of material misstatement, we performed tests of Philippine Business for Social Progress' compliance with agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Expenditure Report. The results of our tests of compliance disclosed material instances of noncompliance which are summarized in Appendix I (List of Agreement Terms and Laws and Regulations not complied by GRANTEE).

An instance of noncompliance which has a significant impact on the Expenditure Report was resolved as a result of the grant modification executed on October 25, 1991.

The results of our tests of compliance indicated that, with respect to the items tested, PHILIPPINE BUSINESS FOR SOCIAL PROGRESS, complied, in all material respects with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that PHILIPPINE BUSINESS FOR SOCIAL PROGRESS had not complied, in all material respects, with those provisions.

This report is intended for the information of the United States Agency for International Development - Resident Audit Office and Philippine Business for Social Progress. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Ranora J. Valdes & Co.,
Metro-Manila, Philippines
October 25, 1991

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT NO. AID 492-0419-G-SS-9113-00
FOR THE VOLUNTEERS PROGRAM FOR SOCIAL DEVELOPMENT WORKERS

ADMINISTERED BY:

PHILIPPINE BUSINESS FOR SOCIAL PROGRESS

We have audited the Expenditure Report of PHILIPPINE BUSINESS FOR SOCIAL PROGRESS for the Volunteers Program for Social Development Workers from September 15, 1989 to June 30, 1991 and have issued our report thereon dated October 25, 1991.

We conducted the audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

In planning and performing our audit of PHILIPPINE BUSINESS FOR SOCIAL PROGRESS we considered their internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Expenditure Report and not to provide assurance on the internal control structure.

The management of PHILIPPINE BUSINESS FOR SOCIAL PROGRESS is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure, policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of Expenditure Report in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

For the purpose of this report, we have classified payroll, procurement and disbursement procedures to be a significant internal control structure.

For these control categories, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the Expenditure Report being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation which we have summarized in Appendix II.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable condition and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of the United States Agency for International Development - Resident Audit Office and Philippine Business for Social Progress. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Harbor J. Valdez & Co.

Metro-Manila, Philippines
October 25, 1991

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0419-G-SS-9113-00
 FOR THE
 VOLUNTEERS PROGRAM FOR SOCIAL DEVELOPMENT WORKERS
 ADMINISTERED BY
 PHILIPPINE BUSINESS FOR SOCIAL PROGRESS
 LIST OF AGREEMENT TERMS AND LAWS AND REGULATIONS NOT
 COMPLIED BY GRANTEE

Reference	Provisions	Findings	Grantee's Response
I. PROGRAM OF WORK			
Section II (3) of Grant Agreement	After completion of the training, PBSP, in consultation with USAID, shall field volunteers to various NGOs in the country where they shall serve as staff volunteers for a period of not more than one year.	<p>Based on the project background, the purpose of the Volunteers Program for Social Development Workers was to develop a pool of trained social development workers from which the social development industry can source personnel to fill their manpower needs. This program is PBSP's response to the continuous requests received by them from various NGOs for assistance in identifying skilled and experienced social development workers as a result of their growing and expanding operations. <u>These volunteers who will be trained in the program will then be fielded in the various NGOs in the country to serve as staff volunteers as provided by the above provision.</u></p> <p>Our review indicated however, that out of the 346 man-months served by the 32 volunteers trained, 144 man-months were rendered to PBSP. The equivalent costs of the time rendered to PBSP is P637,913 (\$24,366) which is 41.4% of the amount expended for participants costs.</p>	<p>PBSP's position is that while the grant agreement was specific to the various NGOs where the volunteers were to be fielded, it did not exclude PBSP which is also an NGO capable of providing the training to the volunteers. This arrangement has been previously agreed upon by OFFPVC and PBSP before the time the volunteers were to be fielded. These were contained in the following annexes:</p> <p>Annex 1 : USAID-OFFPVC letter dated July 18, 1989 suggesting that the field assignments would be <u>more palatable</u> if it were administered by PBSP but open to utilization by other PVOs throughout the country.</p> <p>Annex 2 : PBSP letter dated November 27, 1989 informing USAID-OFFPVC of the field assignments of the volunteers to various NGOs, PBSP included.</p> <p>Annex 3 : USAID-OFFPVC letter dated December 11, 1989 expressing the office's concern on the capability of the other NGOs to handle the volunteers. The office suggested other NGOs.</p> <p>PBSP will seek the confirmation from USAID regarding this matter.</p> <p>This issue was resolved by a grant modification executed on October 25, 1991.</p>

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
Manila, Philippines

ANNEX-1

11/8/89
Telephone: 521-71-16

Ramon Magsaysay Center
1680 Roxas Boulevard

July 18, 1989

Mr. Ernesto Garilao
Executive Director
Philippine Business for Social Progress
3 Floor Philippine Social Development Center
Magallanes corner Real Streets
Intramuros, Manila

Dear Mr. Garilao:

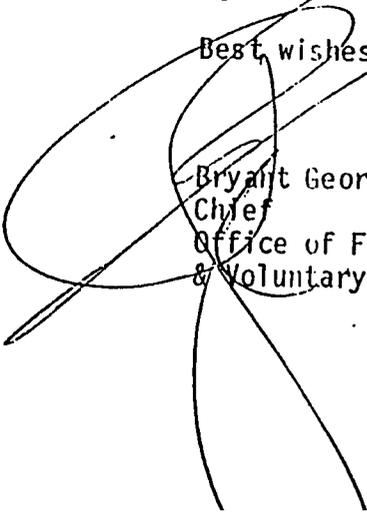
We have studied your proposal, Volunteers Program for Social Development Workers and like it. In fact, its inspired, wish it has been my idea. I raise some question, concerns and suggestions:

1. It would be more palatable if this was administered by PBSP but open to utilization by selected PVOs throughout the country: example, RAFI, DPF, KAPWA, SAVE, MILAMDEC. That is that the pool be made available to these organizations as well. Perhaps PBSP could take the number it now plans to take and the balance to be distributed throughout these groups. The gentle person's agreement being that the PVO taking the student will make a best effort to absorb the student into its regular staff at the end of the two years.
2. I feel that it is essential that the UPLB certification take place. This is the sweetener that will make it possible for us to get the best the very best and perhaps some foreign students as well. I hope that your contacts are such there that you can work this out. I think that this means adding a person or 1/2 a person from UPLB as a roving instructor/supervisor/counselor and we would be prepared to absorb these costs.
3. The academic credentials of the candidates are crucial. We must get the best academically and we must get the best in terms of livelihood of success as a worker in a social development program.
4. I think three or four day weekend consultations or so during the two years might be helpful, that is a time when all of the people are brought together with their supervisors and the UPLB on and the PBSP overall manager and work through any problems that are common our ourstanding that can be dealt with this way. I think that some academic input would

be had at this time as well. This should be a base field work experience with academic program of real merit and one that can stand the scrutiny of anyone's examination, not just a cheap way to get staff but a genuine way to help upgrade and bring into the mainstream the people who will replace the Garilaos, the Georges, the Tans and Binamiras of tomorrow. This means a paper or two written academic content, up to 20 books a year that are assigned and expected to be read.

Now all or most of the ideas will increase the cost of the program but we are not constrained by the cost at the moment but by the quality of the proposals. I would appreciate it if you would think this through and get back to me with an amended document or if we need it a meeting ASAP. I want to work this through and get it on the griddle as fast as we can.

Best wishes,



Bryant George
Chief
Office of Food for Peace
& Voluntary Cooperation

MR. BRYANT GEORGE
 Chief
 Office of Food for Peace &
 Voluntary Cooperation
 U.S. Agency for International Development
 Manila, Philippines

SUBJECT: GRANT NO. AID 492-0419-G-SS-9113-00

Dear Mr. George:

The Social Development Interns Program is assigning the 16 Interns, who comprise the first batch of the Program to the following PVOs and areas:

PBSF Units:

Social Development Resource Center	- Manila
Negros Provincial Development Program	- Negros
Mindanao Regional Office	- Davao
Visayas Regional Office	- Cebu
Center for Rural Technology Development	- Laguna
Samar Island Special Development Prog.	- Samar

USAID Requested PVOs:

Ramon Aboliz Foundation, Inc.	- Cebu
KAPWA Upliftment Foundation	- Davao
South Cotabato Foundation	- So. Cotabato
Muslim-Lumad Development Center	- Cagayan de Oro
Davao Accelerated Development Found.	- Davao

Other PVOs:

Surigao Economic Development Found., Inc.	- Surigao
Eastern Samar Development Found.	- Samar
Western Samar Development Found.	- Samar
Quezon Federation of Cooperatives, Inc.	- Quezon Prov.
Caceres Social Action Foundation, Inc.	- Camarines Sur

Other PVOs could be given Interns from the second batch of Development Interns.

Very truly yours,


 MA. AURORA F. TOLENTINO
 Associate Director

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
Manila, Philippines

Ramon Magsaysay Center
1680 Roxas Boulevard

Telephone: 823-7116

December 11, 1989

Ms. Ma. Aurora F. Tolentino
Associate Director
Philippine Business for Social Progress
Philippine Social Development Center
Magallanes corner Real Sts.
Intramuros, Manila

Subject: Grant No. AID 492-0419-G-SS-9113-001

Dear Ms. Tolentino:

This is in response to your letter of November 27, 1989 concerning the proposed distribution of the 16 Development Interns.

I express my concern on the capability of the "Other PVOs" to provide the comprehensive training that we jointly envisioned for the interns. What we hoped will happen during the one year on the job training is for each intern to be given sufficient exposure on office management, project development, monitoring, and evaluation, financial management, budget preparation, planning and other areas involved in running a PVO. I have limited information on the capability and size of these PVOs and I need your assurance that they will be able to provide the interns with the envisioned training assistance. The interns should not be looked upon as "supplemental employees" of these participating PVOs. They are interns aiming to gather experience from the so called "development experts" to enable them to develop their own capabilities to the fullest.

The purpose of this grant is not to furnish "Other PVOs" with cheap labor but to make possible the training and outfitting of some of the best PVO potential leaders with the skills to make them top PVO leaders in due course. This can only be achieved if and only if they get excellent more than usual supervision, help and training. This means a top PVO has to take them in and know that by doing so they take on this special and precious responsibility.

I recommend other USAID funded PVOs interested to join us in this project by them expressing their interest to adopt one or more interns. These are the:

1. Jaime V. Ongpin Foundation
2. Tulay Sa Pag-unlad
3. Development of People's Foundation
4. Mother Rosa Memorial Foundation

File / Real / Social / B...
Let's sit down on this tomorrow.
Ray
12/14/89

All four NGOs, I believe, possess the necessary leadership and organization for an ideal trainer. I appreciate it very much if you can consider the possibility of reassigning the interns to the above PVUs.

When do we start discussion on the second batch of interns?

Best wishes,

Bryant George?
Chief, O/FPVU

Reference	Provisions	Findings	Grantee's Response
II. PROCUREMENT			
Section 5 (a) (2) of Mandatory Standard Provisions for Non-US Governmental Grantees.	All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.	Procurement of training and catering services, training venue, board and lodging (for those not conducted by SDMI as stated in the Grant) were not supported with solicitation of price quotations from qualified suppliers.	The training center involved in these trainings conducted were PBSP's longtime suppliers/venues for training. We are assured that these are establishments which provided the best service at the least cost possible. Their rates are evaluated every six (6) months as part of compliance to USAID as well as PBSP policies.
III. COUNTERPART CONTRIBUTIONS			
Section 21 (c) of Mandatory Standard Provisions for Non-US Non-governmental Grantees).	All contributions, both cash and in-kind, shall be accepted as part of the grantee's cost sharing (matching) when such contribution meet all of the following criteria:	PBSP's counterpart contribution per Expenditure Report is overstated by \$160,686 (\$6,138) representing payments for board and lodging of \$39,928 (\$1,525), which was also claimed as disbursements from grant funds and \$120,758 (\$4,613) representing salaries and fringe benefits of a training officer and clerks which were not budgeted as counterpart contributions.	The errors were subsequently adjusted in our books and Expenditure Report. We will provide an adjusted Expenditure Report reflecting the adjustment.
	<ul style="list-style-type: none"> a) are verifiable from the grantee's records; b) are not included as contributions for any other federally assisted program; c) are necessary and reasonable for proper and official accomplishment of project objectives; d) are types of charges that would be allowable under the applicable federal cost principles; e) are not paid by the Federal Government under another grant or agreement (unless the grant or agreement is authorized by federal law to be used for cost sharing or matching); f) are provided for in the approved budget when required by AID; and g) conform to other provisions of this paragraph. 		
IV. INTEREST INCOME			
Section 3 (a) of Mandatory Standard Provisions for Non-US, Non-governmental Grantees	The grantee shall remit to AID all interest earned on funds provided by AID.	As of June 30, 1991, the grant funds earned interest amounting to \$6,513 (\$249). Interest were remitted quarterly except for two quarters. Interest amounting to \$914 (\$35) was recorded in the books of PBSP as miscellaneous income.	We will remit to USAID the interest of \$914 (\$35).

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0419-G-SS-9113-00
 FOR THE
 VOLUNTEERS PROGRAM FOR SOCIAL DEVELOPMENT WORKERS
 ADMINISTERED BY
 PHILIPPINE BUSINESS FOR SOCIAL PROGRESS
 LIST OF OBSERVATIONS, RECOMMENDATIONS AND GRANTEE'S RESPONSE

OBSERVATION

RECOMMENDATION

GRANTEE'S RESPONSE

I. PROCUREMENT

Obtaining solicitations from supplier is generally not documented for procurement of training venue, catering services and board and lodging. Moreover, it was noted that purchase of services do not have contracts.

PBSP's procurement procedure can be strengthened by obtaining solicitations for procurement of services to ensure that the competitive price and quality services are obtained. A contract should be executed to bind parties for the commitment made.

As related to our response in Appendix I Section II of Procurement, these were long time suppliers of PBSP. We will however, observe the preparation of contracts for future trainings notwithstanding their relationship with us.

II. DOCUMENTATION

a) It was observed that PBSP does not require its regional offices to submit adequate supporting documents (only debit memos are submitted) as basis for the settlement of interoffice charges.

a) To ensure that expenses charged by the regional office are valid and allowable claims, we recommend that debit memos be adequately supported by receipts and other pertinent documentation.

For observation (a), we have started segregating all USAID documents regardless whether they are from regional offices. All expenses will be documented and filed in head office. For observation (b), this is a prevailing practice in PBSP's SDMI. The records may have been inadvertently overlooked or misplaced.

b) Some of the evaluation reports of participants performance and recommendations to improve future sessions, a required report stated in the standard professional service contract of PBSP with its resource persons were not on file.

b) All contractor should be required to comply with PBSP's reporting requirements. We recommend that payment to contractors be deferred until all requirements have been complied with.

III. COUNTERPART CONTRIBUTIONS

Our review of records on counterpart contributions revealed that disbursements from grant funds of P39,928 (\$1,525) for volunteers board and lodging was also treated as counterpart contributions. In addition, we noted certain classification errors of transactions:

We recommend that adjustments be made in the books to correct improper recording.

We have already adjusted the error.

a) Salaries and fringe benefits of training officer and clerks recorded under budget line item salary of program coordinator P120,758 (\$5,613)

b) Recruitment expenses recorded under budget line item Other direct cost instead of the proper account, Miscellaneous Expense 58,192 (\$2,223)

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 NON-FEDERAL AUDIT OF USAID GRANT NO. 492-0419-G-SS-9113-00
 FOR THE
 VOLUNTEERS PROGRAM FOR SOCIAL DEVELOPMENT WORKERS
 ADMINISTERED BY
 PHILIPPINE BUSINESS FOR SOCIAL PROGRESS
 EXPENDITURE REPORT
 For the Period September 15, 1989 to June 30, 1991

	G R A N T F U N D S										C O U N T E R P A R T C O N T R I B U T I O N S					
	BUDGET		CUMULATIVE ADVANCES		AMOUNT STILL OBLIGATED		CUMULATIVE DISBURSEMENTS		UNEXPENDED BALANCE		BUDGET		AMOUNT CONTRIBUTED		BALANCE TO BE CONTRIBUTED	
	Philippine Peso	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	U. S. Dollar
SALARY OF PROGRAM COORDINATOR	-	-	-	-	-	-	-	-	-	-	241,861	9,856	318,345	12,973	(76,484)	(3,117)
EMPLOYEES' FRINGE BENEFIT	-	-	-	-	-	-	-	-	-	-	7,400	302	24,129	983	(16,729)	(681)
PARTICIPANT COSTS	1,583,634	64,536	1,492,876	57,017	90,758	7,519	1,540,283	58,828	(47,407)	(1,811)	-	-	-	-	-	-
PROVISION FOR GROUP LIFE, ACCIDENT AND HEALTH INSURANCE	40,325	1,643	34,797	1,329	5,528	314	43,389	1,657	(8,592)	(328)	-	-	-	-	-	-
TRAINING EXPENSES	461,827	18,821	475,139	18,147	(13,312)	674	502,114	19,177	(26,975)	(1,030)	-	-	-	-	-	-
SUPPLIES AND MATERIALS	-	-	-	-	-	-	-	-	-	-	31,476	1,283	15,772	643	15,704	640
MISCELLANEOUS EXPENSES	-	-	-	-	-	-	-	-	-	-	36,327	1,480	36,327	1,480	-	-
TRANSPORTATION AND TRAVEL/ PERIODIC ASSESSMENT	-	-	-	-	-	-	-	-	-	-	236,845	9,652	195,485	7,967	41,360	1,685
OTHER DIRECT COSTS	-	-	-	-	-	-	-	-	-	-	177,466	7,232	147,078	5,994	30,388	1,238
GRAND TOTAL	2,085,786	85,000	2,002,812	76,493	82,974	8,507	2,085,786	79,662	(82,974)	(3,169)	731,375	29,805	737,136	30,040	(5,761)	(235)

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0419-G-SS-9113-00
 FOR THE
 VOLUNTEERS PROGRAM FOR SOCIAL DEVELOPMENT WORKERS
 ADMINISTERED BY
 PHILIPPINE BUSINESS FOR SOCIAL PROGRESS
 SUMMARY OF EXPENDITURES QUESTIONED BY THE AUDITORS

For the Period September 15, 1989 to June 30, 1991

(In Philippine Pesos)

Date	Reference	P A R T I C U L A R S	QUESTIONED COSTS			R E M A R K S	PBSP's RESPONSE
			TOTAL	Subject to Additional Documentation	Not Allowable		
I. PARTICIPANTS COSTS							
		Allowance, fringe benefits and transportation of volunteers fielded in PBSP, its regional offices and affiliates.	637,913	637,913	-	The program of work provides that PBSP shall field volunteers to various NGOs and not to PBSP.	We will seek a confirmation from USAID on this matter.
		Additional allowance given to E. Reverencio for Aug. 16-31, 1990	963	-	963	Per records, Ms. Revesensio resigned effective Aug. 31, 1990. She was given P963 in addition to the fixed allowance of P3,500 given her for August.	This is an error by PBSP. We will refund USAID the amount.
			638,876	637,913	963		
II. TRAINING EXPENSES							
various	various	Plane fare and other transportation expenses of volunteers, resource persons and PBSP staff to training venue.	117,135	117,135	-	Based on the grant agreement, transportation is specifically indicated in the budget as counterpart contribution. Training expenses only includes board and lodging, seminar fees and resource persons.	We will seek approval from USAID.
		GRAND TOTAL	756,011	755,048	963		
		IN U.S. DOLLAR	28,877	28,841	37		

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