

**Regional Inspector General for Audit
Singapore**

**AUDIT OF
ECONOMIC DEVELOPMENT FOUNDATION, INC.
PHILIPPINES**

**Audit Report No. 5-492-92-18-N
July 9, 1992**



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PHILIPPINES**

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The Fund Accountability Statements presents fairly the receipts and expenditures of EDF except for \$89,280 in questioned costs. Although no material internal control weakness were noted, there were several material instances of noncompliance which resulted in the questioned costs above.

**FINANCIAL 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.**



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

July 9, 1992

TO: Richard A. Johnson
Acting Director, USAID/Philippines

FROM: *James B. Durnil*
James B. Durnil, RIG/A/Singapore

SUBJECT: Audit of Economic Development Foundation, Inc. - Philippines (EDF)
Audit Report No. 5-492-92-18-N

The accounting firm Carlos J. Valdes & Co., an affiliate of Coopers and Lybrand, performed a financial audit of Economic Development Foundation, Inc. Five copies of the audit report are attached for your action.

The Philippine Assistance Program Support Project is a \$25 million project to develop and implement high-priority infrastructure and private sector projects for the Philippine Assistance Program (PAP). The private sector assistance is provided to proponents through the Pre-Investment Facility (PIF), which finances feasibility studies of Philippine and U.S. nationals/firms for potential business projects under the PAP. On January 30, 1990, USAID/Philippines and Economic Development Foundation, Inc. (EDF) entered into a three-year \$5 million cooperative agreement for the administration and implementation of the PIF. EDF solicits participation, screens proposed projects, and monitors the implementation of feasibility studies. The period covered by the audit was January 30, 1990 through November 30, 1991, during which EDF reported that it received \$731,486 and incurred expenses amounting to \$524,907.

The audit objectives were to: (1) determine whether EDF's Fund Accountability Statements present fairly the receipts and expenditures of the cooperative agreement; (2) report on EDF's system of internal controls; (3) report on EDF's compliance with applicable laws, regulations, and agreement terms; and (4) determine EDF's final overhead rate for calendar year 1990 and provisional overhead rates for calendar years 1991 through 1993.

The auditors reported that EDF's Fund Accountability Statements present fairly the receipts and expenditures of EDF except for \$89,280 in questioned costs. Although no material internal control weaknesses were noted, there were several material instances of noncompliance which resulted in the questioned costs above. Finally, the auditors determined the final EDF overhead rates for calendar years 1990 and 1991. However, the provisional overhead rates could not be

determined for calendar years 1992 and 1993 because the necessary data was not available as EDF's projects vary from year to year.

EDF officials generally agreed with the audit findings and recommendations and their comments are included in their entirety in the "Views of Responsible Officials" section of the audit report.

We are making the following recommendations to be included in the Inspector General recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Philippines resolve the \$89,280 in questioned costs (\$88,610 unsupported costs and \$670 other unallowable costs) identified in the report and recover any amount determined to be unallowable.

Recommendation No. 2: We recommend that USAID/Philippines recover from Economic Development Foundation, Inc. \$8,727 in interest earned from advances and verify that Economic Development Foundation, Inc. has established and implemented procedures to report to USAID the amount of interest earned on advances and remit the appropriate amount to USAID/Philippines at least quarterly.

Recommendation No. 3: We recommend that USAID/Philippines verify that Economic Development Foundation, Inc. establishes and implements procedures to: (1) issue checks directly to parties providing goods and services, and not in favor of other parties; (2) maintain adequate payroll records which include personnel files, employment contracts, time records, and accomplishment reports, if required; (3) maintain adequate travel records which include proper authorization of travel and documentation of travel vouchers to substantiate costs incurred during travel; and (4) properly mark AID-financed equipment.

Recommendation No. 4: We recommend that the USAID/Philippines Grants Officer negotiate the final overhead rates for calendar years 1990 and 1991 with Economic Development Foundation, Inc.

We appreciate the courtesy and cooperation that USAID/Philippines and EDF extended to the auditors and our staff during the course of the audit.

Please provide me within 30 days the status of any actions planned or taken to close the recommendations.

Carlos J Valdes certified public accountants
& Co

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Coopers & Lybrand (International)

Bacolod Cebu Davao
Cagayan de Oro

April 24, 1992

Mr. James B. Durnil
Regional Inspector General for Audit/Singapore
United States Agency for International
Development
111 North Bridge Road
#17-03 Peninsula Plaza
Singapore 0617

Dear Mr. Durnil:

This report presents the results of the Non-Federal Audit of the Cooperative Agreement with Economic Development Foundation, Inc. (EDF) under Grant No. AID 492-0452-A-SS-0024-00 of the United States Agency for International Development.

A. BACKGROUND INFORMATION

Under this Cooperative Agreement which was executed on January 30, 1990, the United States Agency for International Development (USAID) will provide financial assistance amounting to U.S.\$5,000,000 (P110,000,000) to the Economic Development Foundation (EDF) to administer the Philippine-U.S. Private Sector Pre-Investment Facility (PIF) which is a component under USAID's Philippine Assistance Program Support (PAPS) Project.

The objectives of the Philippine Assistance Program (PAP) supported by the PAPS Project include the rapid expansion of the productive capacity of the economy, development of a well dispersed agro-industrial economy, and a creation or expansion of activities which utilize indigenous raw materials with immediate export potential. To achieve these objectives, the PAPS Project will provide assistance to develop and implement high priority infrastructure and private sector projects under the PAP. Support for the development of infrastructure will be provided to the Committee on Development Assistance, the Philippine Government Agency having overall responsibility for the implementation of Official Development Assistance to the Philippines. PAPS Project assistance for the private sector will be provided through this Cooperative Agreement in support of the PIF.

The PIF is a three year program which seeks to encourage private investment in employment-generating activities in economic development zones and other priority areas outside the National Capital Region as well as in priority sectors targeted by PAP (known as Multilateral Assistance Initiative or MAI).

Specifically the PIF will provide financial assistance to Philippine and U.S. Nationals for feasibility studies for potential business projects that are consistent with PAP objectives.

EDF will be responsible for the overall establishment of policy guidelines for the administration of the PIF. EDF will be accountable to USAID for the administration of PIF funds which will be provided by USAID in the form of cash advance.

B. AUDIT OBJECTIVES AND SCOPE OF WORK

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

- determine if the Fund Accountability Statement of the organization presents fairly the receipts and expenditures under the Cooperative Agreement with USAID and whether the expenditures are allocable, allowable and reasonable.
- report on the organization's system of internal controls.
- report on the organization's compliance with applicable laws, regulations and agreement terms.
- determine the final overhead rates for calendar year 1990 and 1991 and provisional overhead rates for calendar years 1992 and 1993.

The scope of our audit covers the period January 30, 1990 to November 30, 1991. Total USAID advances for this period amounted to U.S.\$731,486 (P19,820,589) where U.S.\$381,234 (P10,038,133) represents Administrative Fund and U.S.\$350,252 (P9,782,456) represents Private Sector PIF Fund. Of these advances, EDF disbursed U.S.\$355,198 (P9,352,584) representing 93% and U.S.\$169,709 (P4,739,932) representing 48% of the cumulative advances for Administrative Costs and PIF Assistance, respectively.

For the purpose of quantifying the Philippine Peso to U.S. Dollars, we used the exchange rate of P26.3306 and P27.9278 to U.S.\$1.00 for Administrative fund and PIF fund, respectively. This represents the average exchange rate of the total cumulative advances in Philippine Pesos to the cumulative advances in U.S. Dollars from January 30, 1990 through November 30, 1991.

In determining compliance with agreement terms, applicable laws and regulations, we have designed audit steps and procedures to provide reasonable assurance of detecting errors, irregularities and illegal acts and we were also aware of the possibility of illegal acts that could have an indirect and material effect on the Fund Accountability Statements.

C. RESULTS OF AUDIT

The following are the results of this audit:

1. Financial Review

Our audit disclosed that except for questioned costs amounting to U.S.\$89,280 (P2,430,043), out of total disbursements of U.S.\$524,907 (P14,092,516) or 17%, the Fund Accountability Statements present fairly the receipts and disbursements of Economic Development Foundation and Proponents for the period January 30, 1990 to November 30, 1991.

2. Review of Internal Control System

We noted certain matters involving the internal control structure and its operations in the areas of fund management, documentation of agreement with proponents, procurement, reimbursement of travel expenses and payroll. We have reported these matters to the management of Economic Development Foundation and Proponents. These have been responded upon as indicated in Section II of this report.

3. Compliance Review

The results of our tests of compliance disclosed the following instances of noncompliance, the effects of which have not been corrected in the Fund Accountability Statements for the period January 30, 1990 to November 30, 1991 of Economic Development Foundation and Proponents. Instances of noncompliance included nonremittance of interest earned on USAID advances, claims for expenditures which were not allocable to the grant, those in excess of budgeted amounts and those without supporting documents as defined in agreement terms, applicable laws and regulations.

4. Overhead Rates

We have determined the indirect cost rates for 1990 and 1991 to be 51.02% and 79.84%, respectively. The Auditors were not able to determine the provisional indirect cost rates for 1992 and 1993 because the data necessary for the calculation is not available. In addition, due to the nature of EDF's operations (the projects EDF is involved into varies significantly from year to year) it was not possible to project indirect cost rate.

D. SUMMARY OF MANAGEMENT COMMENTS

EDF and proponents' officials generally agree with the findings and recommendations and their comments are included as "auditee's response" in this report.

E. REPORT

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

I Financial Section

- a) Auditor's report on the Fund Accountability Statements
- b) Fund Accountability Statements (Schedule I to XI)
- c) Details of Expenditures Questioned by the Auditors (Schedule I-A to X-A)

II Internal Control Section

- a) Auditor's report on Internal Control
- b) Record of Audit Findings

III Compliance Section

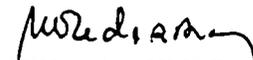
- a) Auditor's report on compliance with agreement terms, applicable laws and regulations
- b) List of agreement terms, applicable laws and regulations not complied by Grantee/Proponents

IV. Computation of Indirect Cost Rate

Very truly yours,

CARLOS J. VALDES & CO.

By:


MINDA O. LEDESMA
Partner

I. FINANCIAL SECTION

A. FINANCIAL REPORT

B. FUND ACCOUNTABILITY STATEMENTS

- I. Economic Development Foundation
- II. Proponents
- III. Shemberg Biotech Corporation
- IV. Vulcan Industrial and Mining Corporation
- V. Asia Pacific Integrated Steel Corporation
- VI. Speedway Industrial Corporation
- VII. Jayvi Marketing Steel Corporation
- VIII. 3000 Polystructure Systems Inc.
- IX. Sason Shop, Inc.
- X. Minda International
- XI. St. Matthew Mining Ventures Co.

C. DETAILS OF EXPENDITURES QUESTIONED BY THE AUDITORS

- I-A. Economic Development Foundation
- III-A. Shemberg Biotech Corporation
- IV-A. Vulcan Industrial and Mining Corporation
- V-A. Asia Pacific Integrated Steel Corporation
- VII-A. Jayvi Marketing Steel Corporation
- IX-A. Sason Shop, Inc.
- X-A. Minda International

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Coopers & Lybrand (International)

Bacolod Cebu Davao
Cagayan de Oro

FINANCIAL REPORT

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT NO. AID 492-0452-A-SS-0024-00
FOR THE PRE-INVESTMENT FACILITY

ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

INDEPENDENT AUDITORS' OPINION

We have audited the Fund Accountability Statements of ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS for the Pre-Investment Facility for the period January 30, 1990 to November 30, 1991. These Fund Accountability Statements are the responsibility of ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS' managements. 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 government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statements are free of material misstatements. The audit includes examining, on a test basis evidence supporting the amounts. An audit also include assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Fund Accountability Statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit disclosed questioned costs amounting to U.S.\$89,280 (P2,430,043) out of total disbursements of U.S.\$524,907 (P14,092,516) or 17%.

In our opinion, except for the questioned costs mentioned in the preceding paragraph, the Fund Accountability Statements present fairly the accountability of ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS for the Pre-Investment Facility from January 30, 1990 to November 30, 1991, in conformity with generally accepted accounting principles applied on a consistent basis.

Carlo J. Valdez & Co.

Metro-Manila, Philippines
March 27, 1992

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY FUND
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - ECONOMIC DEVELOPMENT FOUNDATION
 January 30, 1990 to November 30, 1991

QUESTIONED COSTS

	BUDGET		ACTUAL		INELIGIBLE		UNSUPPORTED		REFERENCE
	U. S. Dollar	Philippine Peso							
REVENUE									

ADMINISTRATIVE FUND			381,234	10,038,133					
PRIVATE SECTOR PIF FUND			350,252	9,782,456					
EVALUATION FUND			-	-					
			-----	-----					
			731,486	19,820,589					
			-----	-----					
EXPENDITURES									

ADMINISTRATIVE COSTS									
SALARIES	183,778	4,838,985	112,431	2,960,369	-	-	22,830	601,136	SCHEDULE I-A
FRINGE BENEFITS	73,586	1,937,564	44,928	1,182,990	-	-	9,088	239,296	- SAME -
TRAVEL AND PER DIEM	49,833	1,312,133	38,327	1,009,187	156	4,100	3,622	95,370	- SAME -

	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
OFFICE RENTAL	27,513	724,434	16,856	443,837	-	-	-	-	
OFFICE FURNISHINGS	11,898	313,281	7,596	199,999	-	-	2,173	57,219	SCHEDULE I-A
OFFICE EQUIPMENT	32,090	844,949	30,926	814,304	-	-	-	-	
INFORMATION MATERIALS	14,031	369,445	11,468	301,966	-	-	-	-	
DIRECT ADVERTISING COSTS	21,910	576,903	10,601	279,125	-	-	-	-	
CREDIT INVESTIGATION SERVICES	11,859	312,255	883	23,257	-	-	-	-	
COMMUNICATION	6,216	163,671	7,801	205,405	-	-	1,348	35,481	- SAME -
OFFICE MATERIAL AND SUPPLIES	6,303	165,962	7,237	190,546	1	25	-	-	- SAME -
PROMOTIONAL ACTIVITIES	14,206	374,052	10,945	288,191	31	822	156	4,119	- SAME -
WORKSHOPS	3,571	94,026	1,285	33,820	-	-	281	7,400	- SAME -
INDIRECT COSTS	89,114	2,346,425	53,914	1,419,588	-	-	-	-	
	545,908	14,374,085	355,198	9,352,584	188	4,947	39,498	1,040,021	

	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
Balance Forwarded	545,908	14,374,085	355,198	9,352,584	188	4,947	39,498	1,040,021	
PRIVATE SECTOR PIF FUND	4,204,092	117,419,449	169,709	4,739,932	482	13,475	49,112	1,371,600	SCHEDULE II
EVALUATION COSTS	250,000	5,500,000	-	-	-	-	-	-	
	5,000,000	137,293,534	524,907	14,092,516	670	18,422	88,610	2,411,621	
OUTSTANDING BALANCE			206,579	5,728,073					

Bizabay

 BLESILDA ZABAY
 Accountant

[Handwritten Signature]

 GEN. S. GARCIA
 Program Manager

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION
 DETAILS OF EXPENDITURES QUESTIONED BY THE AUDITORS - ECONOMIC DEVELOPMENT FOUNDATION
 January 30, 1990 to November 30, 1991
 (In Philippine Pesos)

	Date	Reference	P A R T I C U L A R S	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
I. SALARIES						
Salary increase claimed prior to the approval of Contracts Services Division (CSD). Approval of CSD was February 28, 1991. Salary increase was claimed for the month of February.	Various	Payroll sheets/ Various cheques	EDF/Gil S. Garcia - Program Manager	9,900	-	9,900
	Various	- do -	EDF/Wilfredo Racelis - Technical Assistant	7,610	-	7,610
	Various	- do -	EDF/Romeo Mascardo - Fund Administrator	15,983	-	15,983
	Various	- do -	EDF/Atenogenes Bundoc - PEV Evaluator	17,394	-	17,394
	Various	- do -	EDF/Merle Jean Deen - PEV Evaluator	3,088	-	3,088
	Various	- do -	EDF/Jenni Lin Bulan - Secretary	3,120	-	3,120
	Various	- do -	EDF/Reyes/Lorenzo/Cruz/Rabec/Offemaria/Arcibal - Clerk Typists	54,960	-	54,960
					112,055	-
Salaries paid to personnel not included in the original budget. Although this was approved by PRESO, the Cooperative Agreement was not amended.	Various	- do -	EDF/Blesilda Zabay - Accountant/Auditor	97,510	-	97,510
	12-10-90	CK402335	Sergio Abella - Messenger/Utility	557	-	557
	Various	Payroll sheets/	EDF/Johnny Gallego - Messenger	34,825	-	34,825

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Date	Reference	PARTICULARS	TOTAL	QUESTIONED COSTS		
				INELIGIBLE	UNSUPPORTED	
Various	- do -	EDF/Lucita Daniel - Assistant Secretary	84,719	-	84,719	
			217,611	-	217,611	
Consultancy fees claimed as salaries which are not in the budget. Although this was approved by PESO, the Cooperative Agreement was not amended.	9-27-90	CK402289	Wilfredo Cuevas	3,000	-	3,000
	Various	Various	Jennifer Catindig	16,980	-	16,980
	Various	Various	Socorro Feliciano	33,440	-	33,440
	Various	Various	Agnes Rodriguez	4,600	-	4,600
	Various	Various	Rolando Janrigue	2,500	-	2,500
	Various	Various	Ambrosio Fontanilla	27,500	-	27,500
	Various	Various	Isidro Macaspac	48,500	-	48,500
	Various	Various	Myra Sanchez	113,000	-	113,000
	8-14-90	CK91099	Verando Cruz	10,000	-	10,000
	4-29-91	JV0087	Moises Dichoso	250	-	250
	10-15-91	CK402618	Reynaldo Ignacio	11,700	-	11,700
				271,470	-	271,470
Sub-total - SALARIES				601,136	-	601,136

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	Date	Reference	PARTICULARS	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
II. FRINGE BENEFITS						

This is a result of salaries questioned since fringe benefit is equivalent to 40% of salaries claimed.	Various	Various	Economic Development Foundation	239,296	-	239,296
III. TRAVEL AND PER DIEM						

International travel not supported by approved itinerary from USAID as required by Applicable standard provisions for Non-U.S., Non-Governmental Grantees #3 a.	5-29-90 7-16-91	CK91032 402527	Executive Resources, Inc./ Flight Shop, Inc./ Mr. Garcia	95,370		95,370
Airfare of EDF personnel who was not part of the Project Team. Error acknowledged by EDF. This amount will be adjusted in subsequent reimbursement.	1-30-91 9-06-91	CK402374 402589	Flight Shop, Inc./Hornillosa	2,794	2,794	-
Mathematical error in adding-up charges per INV # 4126-27. Error acknowledged by EDF. This amount will be adjusted in subsequent reimbursement.	12-05-90	402329	Flight Shop, Inc./Garcia/Sabio	1,000	1,000	-
This expense was already included as part of promotional activities. Error acknowledged by EDF. This amount will be adjusted in subsequent reimbursement.	6-05-91	402492	G. Garcia	306	306	-
SUB-TOTAL				99,470	4,100	95,370

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	Date	Reference	PARTICULARS	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
IV. OFFICE FURNISHINGS						
Leasehold Improvement and Construction Costs (these are not office furnishings). EDF will request for realignment of budget from USAID.	8-14-90 8-17-90 8-29-90	91099/ 402253/ 402264	EDF/Emeez Construction	57,219	-	57,219
V. COMMUNICATION						
Excess claims over budgeted amount.	Various	Various	EDF/Mitra/DHL Phils./Gallego/Sabio/Deen/Garcia/Bulan/Daniel/Offemaria	35,481	-	35,481
Budget	169,924					
Claims	205,405					
Excess	35,481					
EDF will request for realignment from USAID.						
VI. OFFICE SUPPLIES AND MATERIALS						
Bank charges considered as penalty. EDF will adjust subsequent reimbursement.	3-30-90	JV002	Bank of Philippine Islands	25	25	-
				25	25	-

	Date	Reference	PARTICULARS	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
VII. PROMOTIONAL ACTIVITIES						
Calling cards. EDF claims that these are expenses for promotional activities. EDF will obtain clearance from USAID for eligibility of expense.	Various	Various	Bundoc/Deen/Garcia/Racelis/Sabio/Mitra/Daniel/Grace Printing Press/Sanchez	2,500	-	2,500
Entertainment Expenses like beer and liquor. EDF will obtain clearance from USAID for eligibility of expense.	Various	Various	Deen/Garcia/Racelis	1,619	-	1,619
Mathematical error in liquidation report. EDF will adjust subsequent reimbursement.	10-24-91	JV148	Racelis	510	510	-
Gifts to DTI representatives. EDF will adjust subsequent reimbursement.	3-04-91	JV071	Deen	312	312	-
SUB-TOTAL				4,941	822	4,119
IX. WORKSHOP						
Car rental not supported by receipt and contract.	10-25-90	CR402374	Carmenia O. Galicia	7,400	-	7,400
TOTAL				1,044,968	4,947	1,040,021

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY FUND
 ADMINISTERED BY: ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - PROPONENTS
 January 30, 1990 to November 30, 1991

	BUDGET		ACTUAL		INELIGIBLE		UNSUPPORTED		REFERENCE
	U. S. Dollar	Philippine Peso							
A. PROPONENTS AUDITED									
1. SHENBERG BIOTECH CORPORATION	205,386	5,736,384	100,258	2,860,191	-	-	43,631	1,218,516	SCHEDULE III
2. VULCAN INDUSTRIAL AND MINING CORPORATION	23,432	654,438	5,810	162,262	-	-	656	18,320	SCHEDULE IV
3. ASIA PACIFIC INTEGRATED STEEL CORPORATION	17,741	495,500	6,724	187,804	272	7,597	1,416	39,542	SCHEDULE V
4. SPEEDWAY INDUSTRIAL CORPORATION	14,590	407,510	7,314	204,291	-	-	-	-	SCHEDULE VI
5. JAYVI MARKETING	13,462	376,000	4,282	119,605	-	-	1,308	36,528	SCHEDULE VII
6. 3000 POLYSTRUCTURE SYSTEMS, INC.	9,709	271,157	4,656	135,618	-	-	-	-	SCHEDULE VIII
7. SASON SHOP, INC.	8,532	238,294	8,430	235,441	-	-	42	1,194	SCHEDULE IX
8. MINDA INTERNATIONAL	8,501	237,430	7,799	217,817	210	5,878	2,059	57,500	SCHEDULE X

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	BUDGET		ACTUAL		INELIGIBLE		UNSUPPORTED		REFERENCE
	U. S. Dollar	Philippine Peso							
9. ST. MATTHEW MINING VENTURES CO.	7,368	205,800	3,684	102,900	-	-	-	-	SCHEDULE XI
10. NAZRULLAH B. MANZUR	1,790	50,000	895	25,000	-	-	-	-	
11. SANTIAGO ASSOCIATION OF TRIBAL COUNCIL	1,790	50,000	895	25,000	-	-	-	-	
12. GOODLAND RICEMILL AND STORE	1,611	45,000	806	22,500	-	-	-	-	
	313,912	8,767,513	151,753	4,238,429	482	13,475	49,112	1,371,600	
B. PROPONENTS NOT AUDITED									
1. TAGABACA SMALL COCONUT FARMERS ASSOCIATION	6,714	187,500	3,343	93,373					
2. CELEBES AGRICULTURAL CORPORATION	6,093	170,185	3,046	85,093					
3. MAGALLANES PRAWN/BANGUS GROWERS MULTI-PURPOSE COOPERATIVE, INC.	5,029	140,450	2,514	70,224					
4. STO. NINO PEACE MAKERS INTEGRATED DEVELOPMENT COOPERATIVE, INC.	2,573	71,850	1,286	35,925					
5. NBD RATTAN AND WOOD FURNISHING	1,969	55,000	974	27,200					
6. PHELA RESOURCES CORPORATION	1,834	51,235	1,834	51,235					

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	BUDGET		ACTUAL		INELIGIBLE		UNSUPPORTED		REFERENCE
	U. S. Dollar	Philippine Peso							
7. RUDY NEGROS BATTERY AND ALLIED SERVICES	1,432	40,000	716	20,000					
8. DAMALIAN ORGANIZATION MOVEMENT	1,342	37,490	661	18,453					
9. REMA FOOD CPRODUCTS	1,074	30,000	537	15,000					
10. ABUBAKAR MAULANA HALUN	895	25,000	716	20,000					
11. ALANG-ALANG CERAMICS PRODUCERS ASSOCIATION, INC.	895	25,000	448	12,500					
12. DAPITAN CITY FISHPOND OPERATORS' INTEGRATED COOPERATIVE, INC.	895	25,000	448	12,500					
13. HADJI SALI SAMSUYA	895	25,000	537	15,000					
14. LEYTE SAN JOSE ICE PLANT AND MARKETING	895	25,000	448	12,500					
15. UNEX INDUSTRIES, INC.	895	25,000	448	12,500					
	33,430	933,710	17,956	501,503	-	-	-	-	
C. PRIVATE SECTOR PIF FUNDS NOT DISBURSED	3,856,750	107,718,226	-	-	-	-	-	-	
	4,204,092	117,419,449	169,709	4,739,932	482	18,475	49,112	1,371,600	

B. Zabay
 BLESILDA ZABAY
 Accountant

Gil S. Garcia
 GIL S. GARCIA
 Program Manager

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - SHEMBERG BIOTECH CORPORATION
 January 30, 1990 to November 30, 1991

EXPENDITURE	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
PERSONNEL	109,097	3,047,060	54,549	1,523,530	-	-	16,435	459,016	SCHEDULE III-A
TRAVEL	11,668	325,897	5,834	162,948	-	-	-	-	
PER DIEM	7,374	205,950	3,490	97,475	-	-	-	-	
ENVIRONMENTAL STUDY AND REPORT PREPARATION	7,160	200,000	1,342	37,500	-	-	-	-	
OFFICE SUPPLIES AND MATERIALS	448	12,500	224	6,250	-	-	-	-	
COMMUNICATION	448	12,500	224	6,250	-	-	-	-	
SCIENTIFIC ENGINEERING STUDY	62,746	1,752,477	31,373	876,238	-	-	27,193	759,500	- SAME -
TRANSPORTATION	6,445	180,000	3,222	90,000	-	-	-	-	
	205,386	5,736,384	100,258	2,800,191	-	-	43,628	1,218,516	

B. Zabay
 BLESILDA ZABAY
 Accountant

Gil S. Garcia
 GIL S. GARCIA
 Program Manager

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION
 DETAILS OF EXPENDITURES QUESTIONED BY THE AUDITORS - SHENBERG BIOTECH CORPORATION
 January 30, 1990 to November 30, 1991
 (In Philippine Pesos)

SCHEDULE III-A

	Date	Reference	P A R T I C U L A R S	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
PERSONNEL COST						
External services of foreign consultants without contract and proof of payment.	2-25-91	0800	APV Philippines, Inc.	459,016	-	459,016
SCIENTIFIC/ENGINEERING STUDY						
Rental for APV pilot equipment and other related cost not supported by contract and proof of payment.	2-25-91	799	APV South East Asia Pte., Ltd.	759,500	-	759,500
TOTAL				1,218,516	-	1,218,516

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - VULCAN INDUSTRIAL AND MINING CORPORATION
 January 30, 1990 to November 30, 1991

EXPENDITURE	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
PERSONNEL	3.922	109.538	1.903	53.140	-	-	421	11,746	SCHEDULE IV-A
TRAVEL	72	2.000	46	1.305	-	-	-	-	
PER DIEM	54	1.500	-	-	-	-	-	-	
REPORT SURPLUS	215	6.000	85	2,378	-	-	-	-	
COMMUNICATION	286	8,000	21	595	-	-	-	-	
EXPLORATION	18.883	527.400	3.755	104,844	-	-	235	6,574	- SAME -
	23.432	654.438	5.810	162.262	-	-	656	18,320	

B. Zabay
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 Accountant

Gil S. Garcia
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 Program Manager

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION
 DETAILS OF EXPENDITURES QUESTIONED BY THE AUDITORS - VULCAN INDUSTRIAL AND MINING CORPORATION
 January 30, 1990 to November 30, 1991
 (In Philippine Pesos)

SCHEDULE IV-A

	Date	Reference	P A R T I C U L A R S	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
PERSONNEL						
Excess reimbursement over actual costs incurred. EDF will amend Reimbursement Agreement.	Various	Various	Caolle/Minas/Paulino/Enriquez	7,875	-	7,875
Consultancy fee not supported by updated contract.	Various	Various	Gervacio	3,500	-	3,500
Mr. Glorio was not included as Consultant in the budget.	12-15-90/ 1-05-91	CK#075093 2198831	L. Glorio	371	-	371
				11,746	-	11,746
EXPLORATION COSTS						
Excess of actual salaries over budget which were reclassified by EDF as Exploration Costs. EDF will amend Reimbursement Agreement.	Various	Various	Various	6,574	-	6,574
TOTAL				18,320	-	18,320

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - ASIA PACIFIC INTEGRATED STEEL CORPORATION
 January 30, 1990 to November 30, 1991

EXPENDITURE	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
PERSONNEL	7,411	207,000	2,289	63,946	272	7,597	-	-	
TRAVEL	3,079	86,000	1,287	35,958	-	-	-	-	
PER DIEM	5,236	146,250	2,348	65,556	-	-	856	23,917	SCHEDULE V-A
ENGINEERING DESIGN/STUDIES	1,119	31,250	560	15,625	-	-	560	15,625	- SAME -
REPORT SUPPLIES AND MATERIALS	448	12,500	16	469	-	-	-	-	
COMMUNICATION	448	12,500	224	6,250	-	-	-	-	
	17,741	495,500	6,724	187,604	272	7,597	1,416	39,542	

Blesilda Zabay
 BLESILDA ZABAY
 Accountant

Gid S. Garcia
 GID S. GARCIA
 Program Manager

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION
 DETAILS OF EXPENDITURES QUESTIONED BY THE AUDITORS - ASIA PACIFIC INTEGRATED STEEL CORPORATION
 January 30, 1990 to November 30, 1991
 (In Philippine Pesos)

SCHEDULE V-A

	Date	Reference	P A R T I C U L A R S	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
PERSONNEL						
Salaries paid to personnel not included in study team. EDF will deduct from proponent's subsequent reimbursement.	Various	Payroll sheets	Agueda Acobo - Bookkeeper	5,110	5,110	-
	Various	Payroll sheets	Marciano Acobo - Driver	2,487	2,487	-
Sub-total				7,597	7,597	-
PER DIEM						
Per diem charged in excess of the rates allowed by USAID. Per EDF, this was allowed during the early implementation of the PIF.	Various	Cash Vouchers	Benjamin Chua	23,917	-	23,917
ENGINEERING DESIGN/STUDIES						
Proof of payment is not available.	10-28-90	Cash Vouchers	Concep, Inc.	15,625	-	15,625
TOTAL				47,139	7,597	39,542

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - SPEEDWAY INDUSTRIAL CORPORATION
 January 30, 1990 to November 30, 1991

EXPENDITURE	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
PERSONNEL	7,555	211,000	3,752	104,812	-	-	-	-	
TRAVEL	1,392	38,870	796	22,227	-	-	-	-	
PER DIEM	1,679	46,890	888	24,793	-	-	-	-	
ENGINEERING DESIGN/STUDIES	895	25,000	448	12,500	-	-	-	-	
OFFICE SUPPLIES AND MATERIALS	277	7,750	34	959	-	-	-	-	
COMMUNICATION	107	3,000	54	1,500	-	-	-	-	
OTHER COSTS	2,685	75,000	1,342	37,500	-	-	-	-	
	14,590	407,510	7,314	204,291	-	-	-	-	

Bizbay
 BLESILDA ZABAY
 Accountant

[Signature]
 GIL S. GARCIA
 Program Manager

SCHEDULE VII

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY FUND
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - JAYVI MARKETING CORPORATION
 January 30, 1990 to November 30, 1991

EXPENDITURE	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
PERSONNEL	3,760	105,000	1,813	50,625	-	-	269	7,500	SCHEDULE VII-A
TRAVEL	3,079	86,000	1,207	33,713	-	-	495	13,824	- SAME -
PER DIEM	4,350	121,500	1,142	31,909	-	-	544	15,204	- SAME -
OFFICE SUPPLIES AND MATERIALS	340	9,500	11	307	-	-	-	-	
COMMUNICATION	322	9,000	102	2,860	-	-	-	-	
TECHNOLOGY TRANSFER	1,611	45,000	7	191	-	-	-	-	
	13,462	376,000	4,282	119,605	-	-	1,308	36,528	

B. Zabay
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 Accountant

Gil S. Garcia
 GIL S. GARCIA
 Program Manager

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION
 DETAILS OF EXPENDITURES QUESTIONED BY THE AUDITORS - JAYVI MARKETING STEEL CORPORATION
 January 30, 1990 to November 30, 1991
 (In Philippine Pesos)

SCHEDULE VII-A

	Date	Reference	P A R T I C U L A R S	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
PERSONNEL						
Salaries paid to personnel who was not part of the study team. EDF will amend Reimbursement Agreement.	Various	Various	Jennifer S. Viray	7,500	-	7,500
TRAVEL						
Foreign travel incurred by personnel who were not part of the study team. EDF will amend Reimbursement Agreement.	9-03-90	CV0211	Juanita Viray	13,824	-	13,824
PER DIEM						
Foreign per diem of personnel not in the study team. EDF will amend Reimbursement Agreement.	9-03-90	CV0211	Juanita Viray	15,204	-	15,204
TOTAL				36,528	-	36,528

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SCHEDULE VIII

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY FUND
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - 3000 POLYSTRUCTURE SYSTEMS, INC.
 January 30, 1990 to November 30, 1991

EXPENDITURE	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
PERSONNEL	5,434	151,780	2,718	75,890	-	-	-	-	
TRAVEL	1,561	43,587	785	21,934	-	-	-	-	
PER DIEM	1,174	32,790	587	16,395	-	-	-	-	
ENGINEERING DESIGN/STUDIES	269	7,500	134	3,750	-	-	-	-	
REPORT PREPARATION	286	8,000	143	4,000	-	-	-	-	
OFFICE SUPPLIES/MATERIALS	107	3,000	54	1,500	-	-	-	-	
COMMUNICATION	72	2,009	32	899	-	-	-	-	
OTHER COSTS (SOIL TEST ANALYSIS)	806	22,500	403	11,250	-	-	-	-	
	9,709	271,157	4,856	135,618	-	-	-	-	

B. Zabay
 BEBSILDA ZABAY
 Accountant

Gil S. Garcia
 GIL S. GARCIA
 Program Manager

25

SCHEDULE IX

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY FUND
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - SASON SHOP
 January 30, 1990 to November 30, 1991

EXPENDITURE	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
PERSONNEL	5,371	150,000	5,371	150,000	-	-	-	-	
TRAVEL	1,650	46,094	1,412	39,450	-	-	43	1,194	SCHEDULE IX-A
PER DIEM	1,242	34,700	1,393	38,900	-	-	-	-	
COMMUNICATION AND OFFICE SUPPLIES	269	7,500	254	7,091	-	-	-	-	
	8,532	238,294	8,430	235,441	-	-	43	1,194	

B. Zabay
 BLESILDA ZABAY
 Accountant

G. S. Garcia
 GIL S. GARCIA
 Program Manager

25

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION
 DETAILS OF EXPENDITURES QUESTIONED BY THE AUDITORS - SASON SHOP
 January 30, 1990 to November 30, 1992
 (In Philippine Pesos)

SCHEDULE IX-A

	Date	Reference	P A R T I C U L A R S	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
<u>TRAVEL</u>						
Local travel of E. Javellana is ineligible. He is not part of the study team.	12-10-90	CK269745	FAL - E. Javellana	1,194	-	1,194
TOTAL				1,194	-	1,194

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SCHEDULE X

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY FUND
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - MINDA INTERNATIONAL
 January 30, 1990 to November 30, 1991

QUESTIONED COSTS

EXPENDITURE	BUDGET		ACTUAL		INELIGIBLE		UNSUPPORTED		REFERENCE
	U. S. Dollar	Philippine Peso							
PERSONNEL	2,824	78,880	2,825	78,880	210	5,878	1,164	32,500	SCHEDULE X-A
TRAVEL	2,705	75,550	2,016	56,316	-	-	-	-	
PER DIEM	1,808	50,500	1,808	50,500	-	-	-	-	
REPORT PREPARATION	537	15,000	537	15,000	-	-	537	15,000	- SAME -
OFFICE SUPPLIES AND MATERIALS	90	2,500	76	2,121	-	-	-	-	
COMMUNICATION	179	5,000	179	5,000	-	-	-	-	
ENGINEERING DESIGNS AND PLANS	358	10,000	358	10,000	-	-	358	10,000	- SAME -
	8,501	237,430	7,799	217,817	210	5,878	2,059	57,500	

Bizobay
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 Program Manager

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION
 DETAILS OF EXPENDITURES QUESTIONED BY THE AUDITORS - MINDA INTERNATIONAL
 January 30, 1990 to November 30, 1991
 (In Philippine Pesos)

SCHEDULE X-A

PERSONNEL	Date	Reference	P A R T I C U L A R S	TOTAL	QUESTIONED COSTS	
					INELIGIBLE	UNSUPPORTED
Salaries paid to personnel who were not part of study team.	Various	Various	Navarro, Ronnie	2,177	2,177	-
	Various	Various	Viduya, Rosanna	2,177	2,177	-
	Various	Various	Casaysay, Cristine	1,524	1,524	-
Payment to external consultants not supported by contract, official receipts and cash voucher not acknowledged by "recipient" of payment.	3-15-91/ 8-10-91	CV1055/1497	Pert Economics Firm	32,500	-	32,500
				38,378	5,878	32,500
REPORT PREPARATION						
Payment to consultants not supported by contract, report and official receipts.	8-09-91/ 8-22-91	CV1496/PR012	Pert Economics Consultancy	15,000	-	15,000
ENGINEERING DESIGNS/PLANS						
Payment to consultants not supported by contract, report on study and official receipt.	6-30-91	CV1443	Dims Engineering Services	10,000	-	10,000
TOTAL				63,378	5,878	57,500

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SCHEDULE XI

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 FOR THE
 PRE-INVESTMENT FACILITY FUND
 ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

FUND ACCOUNTABILITY STATEMENT - ST. MATTHEW MINING VENTURES
 January 30, 1990 to November 30, 1991

EXPENDITURE	BUDGET		ACTUAL		QUESTIONED COSTS				REFERENCE
	U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	INELIGIBLE		UNSUPPORTED		
					U. S. Dollar	Philippine Peso	U. S. Dollar	Philippine Peso	
PERSONNEL	6,176	172,500	3,089	86,250	-	-	-	-	
TRAVEL	18	500	9	250	-	-	-	-	
PER DIEM	10	300	5	150	-	-	-	-	
REPORT PREPARATION	45	1,250	22	625	-	-	-	-	
COMMUNICATION	45	1,250	22	625	-	-	-	-	
OTHERS COSTS - GEOLOGICAL/ TOPOGRAPHY/GENERAL ENGINEERING DESIGN	1,074	30,000	538	15,000	-	-	-	-	
	7,368	205,800	3,685	102,900	-	-	-	-	

B. Zabay
 BLESILDA ZABAY
 Accountant

Gil S. Garcia
 GIL S. GARCIA
 Program Manager

6

II. INTERNAL CONTROL SECTION

A. REPORT ON INTERNAL CONTROL

B. RECORD OF AUDIT FINDINGS

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Coopers & Lybrand (International)

Bacolod Cebu Davao
Cagayan de Oro

REPORT ON INTERNAL CONTROL SYSTEM

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT NO. AID 492-0452-A-SS-0024-00
FOR THE PRE-INVESTMENT FACILITY

ADMINISTERED BY: ECONOMIC DEVELOPMENT FOUNDATION

INDEPENDENT AUDITORS' OPINION

We have audited the Fund Accountability Statements of ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS for the Pre-Investment Facility for the period January 30, 1990 to November 30, 1991 and have issued our report thereon dated March 27, 1992.

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 Fund Accountability Statements are free of material misstatements.

In planning and performing our audit of ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statements and not to provide assurance on the internal control structure.

The management of ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS are 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 the Fund Accountability Statements 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. 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 Fund Accountability Statements 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 and appended to this report.

This report is intended solely for the use of the United States Agency for International Development, Economic Development Foundation and Proponents. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Rancho J. Valdez & Co.

Metro-Manila, Philippines
March 27, 1992

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT NO. AID 492-0452-A-SS-0024-00
FOR THE
PRE-INVESTMENT FACILITY FUND
ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

RECORD OF AUDIT FINDINGS

I. ECONOMIC DEVELOPMENT FOUNDATION

A. FUND MANAGEMENT

C o n d i t i o n

- - - - -

1. As stipulated in the Cooperative Agreement, EDF will provide one (1) financial administrator to manage grant funds. EDF designated Mr. Romeo C. Mascardo, Vice-President for Administration to handle this task. Mr. Mascardo works part-time with the project, hence, he still retains his position at EDF. Two funds are being maintained, Administrative fund and Private Sector PIF fund. Our review of the administrative fund disclosed that funds were not disbursed directly to designated payees. Instead, they were paid to EDF in the form of cash advances and then EDF settles the liability.

C r i t e r i a

- - - - -

Project funds should pay its obligation directly to its creditors.

C a u s e

- - - - -

This is EDF's existing procedure.

E f f e c t

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Out of total disbursements of ₦9,352,583 (U.S.\$350,252) 76% or ₦7,140,162 (U.S.\$267,422) were disbursed through EDF. In all instances the advances made to EDF exceeds the amount it disburses. As of November 30, 1991, EDF has an outstanding payable to the Administrative Fund amounting to ₦110,999 (U.S.\$4,157). It appears therefore, that EDF is using Grant funds.

Recommendation

Grant obligations should be paid directly to its creditors. EDF, as a creditor also, should be paid exactly with its claims from Grant funds.

Auditee's Response

Funds are disbursed in accordance with the existing EDF procedures. A change in these would entail a reallocation of the specialized functions in our accounting, treasury and administrative sections and an increase in our staffing requirements. It would also complicate rather than simplify the financial system without actually improving controls.

To eliminate possible excessive advances, EDF heretofore will prepare more detailed estimates of expenses and charge Grant funds half-monthly rather than monthly.

On the observation that "in all instances advances made to EDF exceeds the amount it disburses", please note that in periods subsequent to that covered by the audit records show that the reverse has been invariably true so that EDF has been advancing from its general fund to operate the PIF.

C o n d i t i o n

2. Thirteen checks amounting to ₱2,741,109 (U.S.\$102,663) in various amounts ranging from ₱50,000 to ₱398,985 were made payable to Julieta Mitra (Assistant Administrative Officer) and were encashed directly from the bank by Sergio Abella (messenger). (See Appendix I)

C r i t e r i a

Checks should be issued for deposit to payee's account only (in this case to EDF), to avoid encashment by other people.

C a u s e

This was done by EDF to shorten clearing time.

E f f e c t

This practice allows opportunity for misappropriation of funds.

Recommendation

EDF should stop drawing checks against Grant funds in the name of company officer and encashing the same by the messenger, as this allows opportunity for misappropriation of funds.

Auditee's Response

The practice of making check payments and having these encashed by the individuals cited was resorted to when check clearing time between interbank accounts had to be shortened. This practice is being discontinued.

B. REIMBURSEMENT AGREEMENT

C o n d i t i o n

1. We noted that the Pre-Investment Study Expense Budget which forms part of the Reimbursement Agreement (RA) between EDF and the Proponent which is the basis for reimbursement of Pre-Investment Study Costs are in general terms and very flexible. Although the expense item is identified in the Budget say Travel, the Budget does not specify the details. The Budget does not include detailed information for determining the eligibility of proponent's expenditures for reimbursement.

C r i t e r i a

The budget should contain sufficient information for purposes of determining the eligibility of costs.

C a u s e

The budget in the RA was kept general for flexibility.

E f f e c t
- - - - -

Reimbursement for expenses which may not be eligible can be claimed by proponent for as long as they will not exceed their budget on a per line item basis.

Recommendation

EDF should review the reimbursement guidelines it has established with its proponents to ensure that project expenditures for subsequent reimbursements are explicitly defined.

Auditee's Response

The PIF is intended to support real-life pre-investment studies of private investors. Study plans submitted in support of the requested grants are thus considered open to change. EDF's 28 years of experience has shown that plans for applied studies need to be adjusted routinely to reflect new information, changes in business conditions, and emerging arrangements and approaches of the sponsors, their financial sources, and their potential buyers and suppliers.

The RA, as well as the screening and evaluation criteria and processes, was carefully developed to provide the flexibility to deal with private proponents and to reduce the burden on proponents as much as possible within limits that would nonetheless enable EDF to exercise the needed levels of control and judicious management of Grant funds.

While the budget reflected in the RA itself is kept general for flexibility, the line items are clearly shown and detailed guidelines on what are considered appropriate charges are provided both the proponents and the project staff. Its basis is in detailed documentation that establishes the necessity and realism of the study plan, the budget, and the study team. This detailed documentation is scrutinized during the preparation, screening, and evaluative stages and is the basis for the Board's approval of the Grant. Subsequently, when claims are presented, this documentation is referred to by the Project Officer and becomes an important basis for validating whether the claimed expenses were study-related and corresponded to approved eligible costs. The Project Officer's certification is needed as a basis for the Auditor to review the claims and ensure that payments are properly supported.

C o n d i t i o n

- - - - -

2. EDF does not strictly implement the provisions of the Reimbursement Agreement. For example, EDF does not require proponent to submit written progress report, most often this information is relayed verbally by the proponent to EDF. There were instances where proponents make some changes on the Agreed Study Design and Plan but proposed change is not communicated in writing to EDF prior to the revision.

C r i t e r i a

- - - - -

The Reimbursement Agreement provides that proponents should submit written progress reports and requires that changes in the Agreed Study Design and Plan should be communicated in writing.

C a u s e

- - - - -

EDF waived submission of written progress reports, instead they are reported verbally. Changes in study design and plans are expected thus formal communication is not necessary.

E f f e c t

- - - - -

There is no tangible evidence regarding the progress of the study. A change in the study design and plans may be overlooked.

Recommendation

EDF should ensure that all conditions set forth in the Reimbursement Agreement should be satisfied by the proponent, otherwise, if they are not to be implemented they should not form part of the agreement.

Auditee's Response

The RA specifies formal progress reports and meetings to ensure that, when needed, EDF would be able to demand such from problem proponents. In practice, this is routinely waived in favor of oral reports and interviews with proponents and the study team, which achieves the monitoring purposes of written reports without the burden and time involved.

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We expect proponents to make routine changes in the course of the study. We routinely clear changes that are apparently done in good faith and do not result in the following:

- a) violation of PIF qualification criteria;
- b) changes in the nature of the project to be implemented;
- c) reduction in study scope without reduction in costs;
- d) additional costs to be charged to the PIF;
- e) charges unrelated or unnecessary to the study.

Where justified expansions of study scope entailing additional costs take place, Board approval is necessary.

C. PROCUREMENT

C o n d i t i o n

- - - - -

The following weaknesses were noted in the procurement procedures:

- a) Purchase orders for several significant purchases were not prepared to evidence that the procurement were authorized.
- b) Payment is solely based on invoice presented by supplier because there is no purchase order or receiving report to match it with.
- c) Some purchases of Information Materials, Office Supplies and Materials and Equipment were negotiated.

C r i t e r i a

- - - - -

Purchase orders should be prepared for all purchases over a specified amount. Purchase orders should then be matched with receiving report and supplier's invoice by the accounting department prior to the processing of payment. Solicitations from suppliers should be obtained for specified amount.

C a u s e

- - - - -

The approved PIF budget was considered as sufficient authorization for the procurement. Purchases were negotiated with established suppliers.

E f f e c t

- - - - -

There is a possibility for purchase of unnecessary equipment. With negotiated purchases, the PIF may purchase an item with unreasonable price.

Recommendation

Procurement procedures can be strengthened by:

- a) Preparing purchase order for all commitments amounting to x pesos and above.
- b) Matching up purchase order, receiving report and suppliers invoice by the accounting department prior to the processing of payment.
- c) Obtaining solicitation from suppliers/professionals for x peso amounts.

Auditee's Response

The inclusion of the indicated items within the approved PIF budget was considered sufficient authorization for the procurement of the items. None of the items were paid without the vouchers and checks being cleared by the Program Manager, the Fund Administration Officer and other approving officers of the EDF. Nevertheless, we agree with the recommendation to apply the purchase order system to all except emergency purchases.

In relation to office materials and supplies, EDF has established suppliers from whom it regularly purchases these items.

In relation to equipment, all major equipment purchases were preceded by canvassing and bidding, and most suppliers qualified were required to demonstrate their equipment. All, major printing jobs were canvassed and negotiations were done with qualified lowest bidders who could meet delivery schedules.

In relation to professionals, EDF hires these on the basis of its judgment as to their qualifications and competence to do the work according to the professional standards required.

D. TRAVEL

C o n d i t i o n

- - - - -

The following deficiencies were noted regarding travel expenditures:

- a) Some airfare tickets were not available to support billings paid to Travel Agencies.
- b) Travel Reports of Project Manager, Technical and Project Officers were incomplete, others have none.
- c) Cash advances were not liquidated within a reasonable period after the completion of the activity. Cash advances were still given to employee although a previous cash advance had not been liquidated. Unliquidated cash advance pertaining to travel amounted to ₱537,424 as of November 30, 1991.

C r i t e r i a

- - - - -

Travel expenditures should be properly documented. Travel advances should be liquidated within a reasonable period after the completion of the activity.

C a u s e

- - - - -

The requirements of written reports, originally instituted within PIF was discarded to relieve from heavy paperwork. Cash advances remained unliquidated pending realignment of the budget because the expense incurred for the advances was not previously budgeted.

E f f e c t

- - - - -

In the absence of documentations, it could not be determined whether the travel made was project related and are therefore reimbursible cost.

Recommendation

We recommend that the guidelines already established by EDF regarding travel expenditures be re-implemented to ensure eligibility of expenditure.

Auditee's Response

Travel itineraries are approved by the Program Manager. These itineraries are designed to provide efficient and adequate coverage of proponents the status of whose accounts are monitored through PIF's operations control systems. Oral reports are taken after trips, individually and through staff meetings.

The requirement of written reports, originally instituted within PIF, was discarded to relieve the heavy paperwork of the Project Officers and because these became unnecessary with the establishment of PIF's account tracking system that shows movements of the accounts in each officer's territory.

Cash advances are tracked closely and kept under control. The large outstanding advances are about 90% due to the promotional U.S. trips of the Program Manager and will be liquidated once the realignment of the budget provides for the appropriate items to absorb the costs.

E. PAYROLL

C o n d i t i o n

1. Personnel cost comprise about 32% of Administrative Costs. We reviewed the payroll area and we noted that accomplishment reports of Project Officers and staff were incomplete.

C r i t e r i a

Written accomplishment reports are necessary in order to monitor the performance of people and for purposes of determining the level of effort being given to a particular task vis-a-vis what was planned.

C a u s e

EDF does not require written accomplishment reports from its professional staff.

E f f e c t
- - - - -

There is no tangible evidence to determine what work was accomplished, how much was accomplished and at what level of effort.

Recommendation

EDF should require project personnel to document their fieldwork by submitting accomplishment reports. In this way both the performance of the individual and the status of the project are appropriately monitored.

Auditee's Response

No written accomplishment reports are required of EDF professional staff. PIF's operation control system tracks accomplishments automatically.

C o n d i t i o n
- - - - -

- 2) Statutory requirements were not properly complied. SSS and Medicare were not withheld for some employees. Some who prefer their salaries to be treated as Consultancy Fees were withheld at 10%.

C r i t e r i a
- - - - -

Statutory requirements should be complied.

C a u s e
- - - - -

EDF allows request of employees which are not in compliance with statutory requirements.

E f f e c t
- - - - -

There is a possibility that BIR will assess EDF for not withholding the appropriate taxes.

Recommendation

EDF should comply with statutory requirements.

Auditee's Response

On the possible statutory violations, EDF is taking steps to rectify any errors that might have been committed in the case of three staff members involved. who themselves request the cited deductions not to be withheld from them.

F. COMMODITIES

C o n d i t i o n

During physical inspection of purchased equipment, we noted the following:

- a) Periodic physical inventory of the equipment is not taken.
- b) Several equipment were not tagged as USAID-financed equipment.

C r i t e r i a

- a) Physical inventory of assets should be taken regularly at least annually to ensure their existence.
- b) All USAID funded equipment should be tagged appropriately.

C a u s e

Procedures were just overlooked.

E f f e c t

- a) There is a possibility that assets reflected in the books may not be backed up by existing assets.
- b) USAID funded equipment are not properly identified.

Recommendation

To establish the adequacy of the recipient's control over USAID-financed equipment, the following should be performed:

- a) Physical inventory should be made and results should be reconciled with the books.
- b) For proper identification, EDF should appropriately tag all USAID-funded equipment.

Auditee's Response

Only one set of computer with accessories remains untagged. USAID has been requested for additional tags.

II. PROPONENTS

A. Shenberg Biotech Corporation (SBC)

C o n d i t i o n

- - - - -

1. Maintenance of Adequate Accounting Records

SBC does not have adequate accounting records to account for transactions. All disbursements for the Study were made by Shenberg Marketing Corporation (SMC), an affiliate, but the documentation presented to the Auditors were vouchers prepared by SBC. The voucher indicates that disbursements were made in cash because no "cancelled" checks were presented to the auditors to support them.

C r i t e r i a

- - - - -

Adequate accounting records, documents and other evidence to sufficiently substantiate charges to the grant should be maintained.

C a u s e

- - - - -

Since SEC is still on a pre-operating status, adequate accounting records are not maintained yet.

E f f e c t s

- - - - -

The eligibility of disbursements cannot be established because the documents supporting transactions were inadequate. Disbursements aggregating U.S.\$43,628 (P1,218,516) which represent 44% of total amount reimbursed were questioned. One of these is a payment made for Scientific and Engineering Study for P3,038,000 (amount reimbursed by EDF was P759,500). This was questioned because:

- a) This represents rental for APV pilot equipment. It is our understanding that these equipment are demonstration equipment only.
- b) Only a proforma invoice issued by APV South East Asia Pte. Ltd., Singapore corporation supported the payment which was made in full. As indicated in the proforma invoice, payment should be made by a 30% deposit through letter of credit. The voucher indicated that the payment was made to APV Philippines, Inc. instead of APV South East Asia Pte. Ltd.

- c) The receipt of payment was not acknowledged by the payee. A fax letter was sent to the Auditors (after the audit) by Dr. P.L. Niccolls, manager of APV Philippines, Inc. acknowledging receipt of payment in U.S. dollars but the voucher indicated it was paid in Philippine pesos.
- d) There is a question of whether the sourcing and disbursement of U.S.\$108,500 complies with Central Bank of the Philippines' Regulations.

Recommendation

SBC should maintain adequate accounting records and documents and other evidence to sufficiently substantiate charges not only for this grant but also to comply with statutory requirements.

Auditee's Response

This will be done very soon when all the shareholders have paid their respective subscriptions in SEC shares.

C o n d i t i o n

2. Procurement

The following deficiencies were noted in SEC's procurement procedures:

- a) There was no written procurement policy. Procurement of goods and services are centralized in SMC.
- b) Quotations are not solicited from suppliers. Procurement of services from consultants were negotiated.

C r i t e r i a

A business entity should have a sound procurement policy.

C a u s e

All purchase were made through SMC, an affiliate.

E f f e c t
- - - - -

Without any established guidelines SBC may be obligated for unauthorized purchases and may not be able to obtain the best terms and price for its purchases.

Recommendation

SEC should adopt written guidelines for the procurement of goods and services.

Auditee's Response

Today, we came out with specific guidelines regarding SBC purchases. More specifically, we have prepared our own purchase terms and conditions to be given to all of our equipment suppliers.

C o n d i t i o n
- - - - -

3. Payroll

We reviewed the payroll area and we noted the following basic weaknesses:

- 1) There were no appointment papers which will evidence authorization for hiring of project personnel. The terms of employment were not defined (salary rates and effectivity of employment).
- 2) Accomplishment reports for field personnel and time reports for office personnel were incomplete. Activities of field personnel were summarized in the Report of Data/Results of Technology Tests (Pilot Plant Tests) conducted by the consultants and Technical Personnel.
- 3) Payroll Sheet was not prepared to support salaries paid to personnel. Salaries were paid by SMC individually in cash using SBC's cash vouchers.

C r i t e r i a
- - - - -

Sufficient records should be maintained for personnel information and to substantiate payroll charges.

C a u s e

- - - - -

SBC is still on its pre-operating stage such that maintenance of personnel records, payroll documents have not been done.

E f f e c t

- - - - -

Since the terms of employment are not specified in writing and payroll records are not accomplished, there is a possibility that employees may be paid incorrectly.

Recommendation

The Proponent should establish payroll procedures to include:

1. Documentation of hired/resigned employees.
2. Documentation regarding attendance, accomplishment of fieldwork and salaries paid to personnel.

Auditee's Response

We will look into the implementation of the recommendation.

C o n d i t i o n

- - - - -

4. Travel

Travel of officers and employees were not supported by travel order. Travel reports and itineraries were not prepared by some officers and employees.

C r i t e r i a

- - - - -

Travel expenditures should be properly and adequately documented.

C a u s e

- - - - -

SBC does not require documentation for travel expenses.

E f f e c t
- - - - -

There is a possibility that travel expenditures may not be authorized or may not be project related.

Recommendation

We recommend that guidelines should be formally established. These guidelines should be strictly enforced. Travel report should include the following:

1. Time and date of departure and arrival at each location.
2. Locations/persons visited.
3. Details of expenditures and supporting documents.
4. Purpose of the trip.
5. Approval by responsible official.

Auditee's Response

We will assess the impact of the recommendation towards work load.

B. Asia Pacific Integrated Steel Corporation

C o n d i t i o n
- - - - -

1. Fund Administration
 - a) Most expenditures were paid in advance by Mr. Benjamin Chua, president of the company but are documented using cash voucher of APISCO which are not prenumbered.
 - b) APISCO does not use printed, prenumbered official receipts to document cash receipts.
 - c) Majority of the disbursements were made in cash. As a result, a large amount of cash (P50,000) is maintained by the cashier.

C r i t e r i a
- - - - -

Company transactions should be segregated from its owners. Prenumbered official receipts registered with the Bureau of Internal Revenue should be maintained.

C a u s e
- - - - -

The Company does not have official receipts. All expenses were paid out of advances made by Mr. Benjamin Chua, owner.

E f f e c t
- - - - -

There is a possibility that cash receipts maybe unrecorded because there is no evidence to support the receipt. The large amount of cash being maintained by the cashier opens opportunity for misappropriation.

R e c o m m e n d a t i o n

We recommend that cash received from all sources - advances, reimbursement should be properly receipted. All cash received should be deposited intact in the bank immediately upon receipt. As much as possible, disbursements in cash should be kept at a minimum.

A u d i t e e ' s R e s p o n s e

The Company has still no source of income and every expenses made by the company are advances by the officers. The Company will follow auditor's recommendation when actual operation starts.

C o n d i t i o n
- - - - -

2. Payroll

We reviewed the payroll area and we noted the following:

- a) There were no appointment papers that will authorize hiring of personnel. The terms of employment are not defined, salary rates, effectivity of employment, etc.

- b) Accomplishment reports for field personnel and time reports for office personnel were not prepared.
- c) Resignation letters of employees who left were not on file, making it difficult to establish when the employee was effectively out of payroll.

C r i t e r i a
- - - - -

Sufficient records should be maintained for personnel information and for substantiation of payroll charges.

C a u s e
- - - - -

Staff utilized during the pre-investment period were temporary.

E f f e c t
- - - - -

Employees may be incorrectly paid with the absence of attendance and progress of the work may not be monitored without the accomplishment report.

R e c o m m e n d a t i o n

The proponent should establish payroll procedures to include:

- a) Documentation of hired and resigned employees.
- b) Documentation regarding attendance and accomplishment of fieldwork.

A u d i t e e ' s R e s p o n s e

The staff utilized for the pre-investment period of Asia Pacific Integrated Steel Corporation were only taken from other sister companies of APISCO. They were transferred to their respective companies after doing their duties during the pre-investment period. No actual hiring/resignation were made. Formal hiring of employees will be done when the operation starts.

C o n d i t i o n
- - - - -

3. Travel

Travel expenses were not supported by travel order (TO) or reimbursement of expenses report. Travel reports were also not prepared to document the activities performed during the trip.

C r i t e r i a
- - - - -

Travel expenditures should be properly and adequately documented.

C a u s e
- - - - -

APISCO does not require documentation for travel expenses.

E f f e c t
- - - - -

There is a possibility that travel expenditures may not be authorized and may not be project related.

R e c o m m e n d a t i o n

We recommend that guidelines should be formally established regarding travel expenditures. These guidelines should be strictly enforced. In the liquidating travel advances, the liquidation report should include:

- a) Time and date of departure and arrival at each location.
- b) Locations visited.
- c) Details of expenditures and supporting documents.
- d) Purpose of the trip.
- e) Approval by responsible official.

Auditee's Response

Travels by the Project Manager during the pre-investment period was not actually covered by documentation except for the tickets. the travel indicated in the reports were intended for the proposed steel billet project. The Project Manager, Mr. Benjamin Chua went abroad to canvass equipment and negotiate with the machinery suppliers.

C o n d i t i o n

4. Recordkeeping

The following deficiencies were noted in recording of transactions:

- a) Disbursements advanced by the officer were recorded in cash vouchers which were not prenumbered, then to cash disbursement book.
- b) General ledger was not used.

C r i t e r i a

Adequate accounting records should be maintained to sufficiently substantiate charges to the grant.

C a u s e

The Company does not have an accounting personnel to handle bookkeeping.

E f f e c t

Since there is no bookkeeper to keep track of the day to day transactions, there is a possibility that transactions may not be summarized and remain unrecorded. In the future it would be very difficult for the company to go back and reconstruct records.

Recommendation

- a) Day-to-day transactions requiring cash outlays should be documented in a disbursement voucher and should be posted in the cash disbursement book. The cash disbursement book should indicate the following:
- 1) date of transaction
 - 2) payee
 - 3) particulars of the payment
 - 4) disbursement voucher number
 - 5) amount
 - 6) account distribution

The cash disbursement book should be summarized monthly and posted to the general ledger.

- b) Transactions not requiring cash outlay like adjusting and correcting entries should be recorded through a journal voucher and not in a disbursement voucher.

Auditee's Response

When actual operation starts, the company will hire accounting personnel to handle the bookkeeping records of the company. likewise, an Internal Accountant will also be hired to supervise the cash flow/books of the company's operation.

C. Speedway Industrial, Inc.

C o n d i t i o n

1. Recordkeeping

All Study Costs were paid by either Atty. Benedicto Katigbak, Chairman of the Board of Speedway Fabricators, Inc. (SFI), an affiliate. Advances of Atty. Katigbak is documented using Speedway's check vouchers while that of SFI is through billing statement. These advances were not receipted and recorded by Speedway. Reimbursement by EDF on the other hand was receipted by SFI but deposited in the personal account of Atty. Katigbak.

C r i t e r i a
- - - - -

Company transactions should be segregated from related parties.

C a u s e
- - - - -

Speedway tolerates this.

E f f e c t
- - - - -

There is a possibility that transactions may be mixed up with that of the owner and affiliates.

Recommendation

Speedway as a separate entity should account and record transactions independent from its owner and affiliates.

Auditee's Response

Management will comply with the recommendation of the Auditors.

C o n d i t i o n
- - - - -

2. Personnel Cost

Personnel costs comprise about 52% of the total proponent's budget for PIF. We reviewed and we noted the following basic weaknesses.

- a) Accomplishment report for the field personnel and time reports for office personnel were incomplete, others have none to support their participation to the study.
- b) Taxes withheld from the consultants' fees were not remitted yet pending application for TIN # of the proponent.

C r i t e r i a

- - - - -

Sufficient records should be maintained for personnel information and for substantiation of payroll charges. Statutory requirements should be complied.

C a u s e

- - - - -

Speedway feels that this was not important since the company is in its pre-operating stage.

E f f e c t

- - - - -

Employees may be incorrectly paid due to the absence of attendance and accomplishment report. Non-compliance with statutory requirements might result to penalties.

Recommendation

Proponent should establish payroll procedures to include:

- a) Documentation of attendance and accomplishment of fieldwork.
- b) Compliance with Statutory requirements.

Auditee's Response

- a) As mentioned on the other comments, each of personnel pushes us to set aside those that we feel unnecessary on the day to day transaction in the organization of Speedway Industrial, however, auditor's recommendation will be complied.
- b) Payment of withholding tax was rejected by the bank due to the pending of our TIN #, however, remittance will be made as soon as the BIR release it.

C o n d i t i o n
- - - - -

3. Travel

The following deficiencies were noted regarding travel expenditures:

- a) Travel of officers and consultants to Japan from March 4 to 16, 1991 were not supported by Travel Order, Travel Authorization and Travel Report.
- b) There was no policy with regards to travelling allowance for meals, lodging and transportation.
- c) Review of Per Diem indicates absence of the same documentation supporting travel. In addition, there was no clear-cut policy regarding the difference between the travel allowance and the per diem given out to the study team.

C r i t e r i a
- - - - -

Travel expenditures should be properly and adequately documented.

C a u s e
- - - - -

Speedway feels that there is no need to document travel expenditures.

E f f e c t
- - - - -

There is a possibility that travel expenditures may not be authorized and project related.

R e c o m m e n d a t i o n

We recommend that guidelines should be formally established by the proponent regarding travel expenditures which will correct these deficiencies. These guidelines should be strictly enforced. Travel report should include:

- a) Time and date of arrival and departure at each location.
- b) Locations visited.
- c) Details of expenditures and supporting documents.
- d) Purpose of the trip.
- e) Approval by responsible official.

Auditee's Response

The organizations/persons we talked to regarding the project is deemed highly confidential and a detailed report of it is not advisable to be shown to anybody except those concerned with the project.

The study team did not need travel orders/authorization because the team is composed of the proponent.

However, future travel of other personnel should be controlled and documented.

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 ECONOMIC DEVELOPMENT FOUNDATION

LIST OF CHECKS ENCASHED FROM THE BANK
 January 30, 1990 to November 30, 1991

Date	Check	Payee	Endorsed By	Encashed By	Amount
4-05-90	091011	JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	400,000
9-04-90	402272	JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	200,000
10-29-90	402313	JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	70,000
11-23-90	402327	JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	42,215
1-29-91	402370	JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	259,363
2-27-91	402398	EDF C/O JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	233,176
3-25-91	402424	EDF C/O JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	398,985
4-19-91	402445	EDF C/O JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	329,375
6-11-91	402504	EDF C/O JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	117,295
8-05-91	402546	EDF C/O JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	200,000
10-29-91	402627	EDF C/O JULIETA K. MITRA	J.K. MITRA	SERGIO ABELLA	389,700
11-26-91	402648	JULIETA MITRA FOR EDF	J.K. MITRA	SERGIO ABELLA	100,000

					2,741,109

III. COMPLIANCE SECTION

- A. REPORT ON COMPLIANCE WITH AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS

- B. LIST OF AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS NOT COMPLIED BY GRANTEE/PROPONENTS

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**REPORT ON COMPLIANCE WITH AGREEMENT TERMS, APPLICABLE LAWS
AND REGULATIONS**

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT NO. AID 492-0452-A-SS-0024-00
FOR THE PRE-INVESTMENT FACILITY

ADMINISTERED BY: ECONOMIC DEVELOPMENT FOUNDATION

INDEPENDENT AUDITORS' OPINION

We have audited the Fund Accountability Statements of ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS for the Pre-Investment Facility for the period January 30, 1990 to November 30, 1991 and have issued our report thereon dated March 27, 1992.

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 Fund Accountability Statements are free of material misstatements.

Compliance with agreement terms, applicable laws and regulations is the responsibility of ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS' managements. As part of obtaining reasonable assurance about whether the Fund Accountability Statements are free of material misstatements, we performed tests of ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS' compliance with agreement terms, applicable laws and regulations. However, our objective was not to provide an opinion on the compliance with such provisions.

Material instances of noncompliance are violations of agreement terms, applicable laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those violations is material to the Fund Accountability Statements. The results of our tests of compliance disclosed the following instances of noncompliance, the effects of which have not been corrected in ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS' Fund Accountability Statements.

Instances of noncompliance included nonremittance of interest earned on advances made by the United States Agency International Development, claims for expenditures which were not allocable to the grant, those in excess of budgeted amounts and those without supporting documents, as defined in agreement terms, applicable laws and regulations.

We considered these material instances of noncompliance in forming our opinion on whether ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS' Fund Accountability Statements for the period January 30, 1990 to November 30, 1991 are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

Our testing of transactions, and records disclosed instances of noncompliance with those agreement terms, applicable laws and regulations. All instances of noncompliance that we found are identified in the accompanying schedule of findings and questioned costs.

Except as described above, the results of our tests of compliance indicated that with respect to items tested, ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS have not complied, in all material respects, with those provisions.

This report is intended solely for the use of the United States Agency for International Development, ECONOMIC DEVELOPMENT FOUNDATION and PROPONENTS. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Harlow J. Walden & Co.

Metro-Manila, Philippines
March 27, 1992

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT NO. AID 492-0452-A-SS-0024-00
FOR THE
PRE-INVESTMENT FACILITY
ADMINISTERED BY THE ECONOMIC DEVELOPMENT FOUNDATION

List of Agreement Terms, Applicable Laws and Regulations
Not Complied by Grantee/Proponents

I. GRANTEE

A. Economic Development Foundation (EDF)

C o n d i t i o n
- - - - -

1. Cash advances were made to EDF from Funds to settle obligations. These cash advances (not less than \$200,000 per month) were received by EDF and deposited in its own bank account (Far East Bank and Trust Company) together with the other funds used by EDF for its operations. Hence, grant funds were commingled with EDF's own funds.

C r i t e r i a
- - - - -

Cooperative Agreement Section E - Funds provided by USAID under this grant may not be commingled with other funds owned or controlled by the Grantee or any subgrantee, including other funds provided to the Grantee or subgrantee by USAID.

C a u s e
- - - - -

This is EDF's policy.

E f f e c t
- - - - -

Grant Funds were commingled with EDF's own funds.

Recommendation

Grant obligations should be paid directly to its creditors. EDF as a creditor of the Fund should be paid its claims in exact amount.

Auditee's Response

The cash advances were based on monthly estimates of disbursements that would be coursed through the EDF system. This is the standard procedure under EDF's financial management system. As earlier discussed, the recommended changes would entail the reorganization of EDF's accounting, treasury and administrative sections and the addition of staff. EDF also believes such would make controls more difficult to achieve.

To address the issues raised, EDF will take the following steps:

- a) More precise estimates of disbursements that are normally coursed through EDF will be prepared;
- b) Billings to the PIF administrative account will be done twice a month, instead of monthly.

C o n d i t i o n

2. Interest earned from advances amounting to ₱243,725 has not been remitted to USAID. These are:

	BPI -----	PS Bank -----	Total -----
1990	₱ 32,148	-	₱ 32,148
			(2,200)
			----- 29,948 -----
1991	30,015	185,962	215,977
			(2,200)
			----- 213,777 -----
			₱ 243,725 =====

C r i t e r i a

Cooperative Agreement Section E - If interest is earned with respect to advances, the amount in excess of U.S.\$100 or ₱2,200 per year shall be promptly paid to USAID at least quarterly.

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C a u s e

- - - - -

This was overlooked by EDF.

E f f e c t

- - - - -

Interest earned on USAID advances amounting to \$243,725 were not promptly remitted to USAID.

Recommendation

EDF should remit interest earned amounting to \$243,725 as soon as possible.

Auditee's Response

The interests have remained with the banks on a compounding basis. Checks have been prepared covering all interests earned, and these will be remitted to the U.S. Treasurer this coming week (by April 13, 1992).

II. PROPONENTS

A. Shemberg Biotech Corporation (SBC)

C o n d i t i o n

- - - - -

1. SBC's books, records and documents are incomplete. The books of accounts currently maintained are cash receipts and disbursements. In addition, SEC does not have official receipts. Expenses were advanced by Shemberg Marketing Corporation in behalf of SEC such that reimbursement from EDF was deposited to SMC's account.

C r i t e r i a

- - - - -

Reimbursement Agreement (RA) - No. 23 (Accounting, Audit and Records) - The Proponent shall maintain books, records, documents and other evidence in accordance with the proponent's usual accounting procedures to sufficiently substantiate charges to the grant. These records shall be maintained for three (3) years after the final payment. These records may be reviewed by the representatives of EDF.

C a u s e

- - - - -

This is on a pre-investment stage and all expenditures were advanced by SMC, an affiliate.

E f f e c t

- - - - -

Due to insufficient records to substantiate expenditures, reimbursements amounting to U.S.\$43,628 (F1,218.515) were questioned.

Recommendation

SEC should maintain complete accounting records as required in the RA.

Auditee's Response

It is admitted that SEC does not have pre-numbered official receipts to document cash receipts, and SEC also believes that we need to have CR's pre-numbered. However, it has also to be taken into account that at the pre-investment stage of the project, the printing of official receipts was not deemed necessary for the reason that we do not need it. At study phase preparation, we were more concerned on the disbursement component of the project since basically it will almost be dealing with cash disbursements. the only cash receipt that we have thought of then was the possible reimbursement of EDF-PIF. To date, at the pre-operating stage of the project, SEC has already prepared the necessary accounting documents to enable us to monitor and properly account our receipts and disbursements of funds and this includes the printing of official receipts.

C o n d i t i o n

- - - - -

2. Progress reports were not submitted to EDF.

C r i t e r i a

- - - - -

Reimbursement Agreement - No. 17 (Compliance with Agreed Study Design and Plan) - The proponent undertakes to submit to EDF the following:

- 1) progress Reports on the status of the Pre-Investment Study in accordance with the schedule shown in Annex "C".
- 2) Completed and finalized Pre-Investment Study.

- 3) Certified List of Expenses Incurred in the preparation of the Pre-Investment Study, and
- 4) Evidences of payment for items and/or services utilized in connection with the preparation of the Pre-Investment Study.

C a u s e

- - - - -

EDF waived the submission of written progress reports. EDF relies on the regular verbal communication by the proponent with the project officer.

E f f e c t

- - - - -

There is no evidence to support that progress of the project is being relayed to EDF.

Recommendation

Written progress reports are necessary documents to properly monitor the project. If EDF believes otherwise, this should not form part of the requirements under the RA.

Auditee's Response

We note the observation of the auditors as to submission of written progress reports to EDF. However, it has also been noted that we have kept EDF-PIF informed of the progress through verbal reports (regularly) to Ms. Deen since she was at that time closely monitoring us regarding the progress of the study. More so, even Mr. Gil Garcia was kept informed on the progress of our work during his visits in the Visayas.

B. Vulcan Industrial and Mining Corporation (VIMC)

C o n d i t i o n

- - - - -

1. Progress reports were not submitted to EDF.

C r i t e r i a

- - - - -

Reimbursement Agreement - No. 21 (Documentary Requirements) - The Proponent undertakes to submit to EDF the following:

- 1) Completed Phase I report to provide a basis for consultation between the EDF and the proponent as to the advisability of proceeding with subsequent study phases:
- 2) Progress Reports on the status of the Pre-Investment Study in accordance with the schedule shown in Annex "C":
- 3) Completed and finalized Pre-Investment Study:
- 4) Evidences of payment for items and/or services utilized in connection with the preparation of the Pre-Investment Study.

C a u s e

- - - - -

EDF waived the submission of written progress reports. EDF relies on the regular verbal communication by the proponent with the project officer.

E f f e c t

- - - - -

There is no evidence to support that progress of the project is being relayed to EDF.

Recommendation

Written progress reports are necessary documents to properly monitor the project. If EDF believes otherwise, this should not form part of the requirements under the RA.

Auditee's Response

Completed Phase I Reports were submitted to and accepted by EDF on February 20, 1991. Progress reports were relayed to Project Officer on regular basis thru verbal communication by phone and occasional office visits.

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C. Asia Pacific Integrated Steel Corporation (APISCO)

C o n d i t i o n
- - - - -

1. Although books of accounts were already available, they were not used to record transactions. It was indicated to us that recording will begin only when the Company becomes operational. In addition, prenumbered official receipts, cheque vouchers were not prepared to document receipts and disbursements. All disbursements whether in cash or cheque were documented in cash vouchers which were not prenumbered.

C r i t e r i a
- - - - -

Reimbursement Agreement - No. 23 (Accounting, Audit and Records) - The proponent shall maintain books, records, documents and other evidence in accordance with the Proponent's usual accounting procedures to sufficiently substantiate charges to the grant. These records shall be maintained for three years after the final payment. These records maybe reviewed by the representatives of the EDF.

C a u s e
- - - - -

Proponent intends to maintain books of account when commercial operations begin.

E f f e c t
- - - - -

Due to insufficient records to substantiate expenditures, reimbursements amounting to U.S.\$1,416 (¥39,542) were questioned.

Recommendation

APISCO should already maintain complete records for the proper accounting of project expenditures.

Auditee's Response

- a. Books of accounts are really intended upon the start of commercial operation.

- b. APISCO will make use of the pre-numbered official receipts, cash and check vouchers when full operation starts.
- c. Most of the disbursements were made in cash and most of these payments were advanced by the president or any of the officers. Reimbursements were made whenever these officers reports to the office. Vouchers are prepared upon reimbursements.

C o n d i t i o n
- - - - -

- 2. APISCO has not submitted progress reports to EDF.

C r i t e r i a
- - - - -

Reimbursement Agreement - No. 21 (Documentation Requirements) - The proponent undertakes to submit to EDF the following:

- 1) Progress reports on the status of the Pre-Investment Study in accordance with the schedule shown in Annex "C";
- 2) Completed and finalized Pre-Investment Study;
- 3) Certified list of expenses incurred in the preparation of the Pre-Investment Study, and;
- 4) Evidences of payment for items and/or services utilized in connection with the preparation of the pre-investment study.

C a u s e
- - - - -

EDF waived the submission of written progress reports. EDF relies on the regular verbal communication by the proponent with the Project Officer.

E f f e c t
- - - - -

There is no evidence to support that progress of the project is being relayed to EDF.

R e c o m m e n d a t i o n

Written progress reports are necessary documents to properly monitor the project. If EDF believes otherwise, this should not form part of the requirements under the RA.

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Auditee's Response

We informed EDF-PIF verbally about the status of our project. At present, the company have not imported the necessary equipment for the operation. The delay was caused by the non-issuance of the clearance to be issued by the Environmental Management Bureau (EMB) despite the submission of the documents required by them. EMB Clearance is the pre-requisite of our BOI registration for us to avail of the tax and duty-free importation of the equipment which will be the starting point of our operation.

These information had been relayed verbally to EDF.

C o n d i t i o n

3. Review of the study preparation and project timetable showed that the duration of the study was from August 1990 to January 1991. It was noted that the application form was received by EDF only on October 12, 1990. Technical study on the other hand includes visits to existing facilities here and overseas was estimated to be completed until December 1990. However, overseas travel pertaining to canvassing of equipment was made even until May 1991. The study was supposed to be completed in January 1991, but it was finalized and submitted on July 24, 1991.

There were no written communication with regards to the delay from proponent and no written approval from EDF for changes in the timetable.

C r i t e r i a

Reimbursement Agreement - No. 17 (Compliance with Agreed Study Design and Plan) - The proponent undertakes to follow the agreed scope of work, approach and methodology, timetable and study team specifications as described in Annex "C". Revisions by the proponent to the above components shall be undertaken only upon the written approval of EDF.

C a u s e

Changes in the Agreed Study Design and Plan were not documented in writing.

E f f e c t

There is no evidence to support that progress of the project is being relayed to EDF.

Recommendation

EDF should require proponent to adhere with the provisions of the RA. If written progress reports were required this matter should not have been overlooked.

Auditee's Response

Some of the research work were already done from the time the inquiry slip was submitted to EDF. However, final preparation and final research work for the study were done when the application was approved.

There was a delay in the implementation of the project timetable because of some delays in the approval of the documentation for the start of operation such as clearances and authority to import the machines. The Project Manager had coordinated with some of the government officials and consultants to facilitate the documents which made him delay his travel abroad for the negotiation with the supplier. As a consequence of the delay in the other activities of the project, there was also a delay in the finalization of the study. This is due to non-availability of the Project Manager for comment.

There was actually a constant verbal/personal communication with the EDF staff as to the status of the project.

D. Speedway Industrial, Inc.

C o n d i t i o n

1. The pre-investment study was completed in July 1991, which is two months later than the estimated completion date. There was no communication from the proponent nor approval from EDF regarding the extension of the completion date.

C r i t e r i a

Reimbursement Agreement - No. 17 (Compliance with Agreed Study Design and Plan) - The Pre-Investment Study is expected to be completed on or before May 31, 1991.

C a u s e
- - - - -

EDF does not require written communication from proponent regarding progress report.

E f f e c t
- - - - -

There is no evidence to support that progress of the project is being relayed to EDF.

Recommendation

EDF should implement the provisions of the RA.

Auditee's Response

We informed the project officer (Mr. G. Bondoc) that the study will be finished later than we had anticipated.

VIEWS OF RESPONSIBLE OFFICIALS



Economic Development Foundation

10 April 1992

Ms. Minda O. Ledesma
Partner
Carlos J. Valdez & Co.
CJVC Bldg., Aguirre St.
Legaspi Village, Makati
Metro Manila

Dear Ms. Ledesma:

Thank you for furnishing us an advance copy of your draft report on the Non-Federal Audit of Grant No. AID 492-0452-A-SS-0024-00 and for the time you and Ms. Reggie Tesoro provided to discuss your findings with us yesterday.

As we agreed, we are sending you our responses to the observations and recommendations you made in your reports on Internal Control, and Compliance with Agreement Terms, Applicable Laws and Regulations.

A. Internal Control

ON FUND MANAGEMENT:

a) Funds are disbursed in accordance with the existing EDF procedures. A change in these would entail a reallocation of the specialized functions in our accounting, treasury and administrative sections and an increase in our staffing requirements. It would also complicate rather than simplify the financial system without actually improving controls.

To eliminate possible excessive advances, EDF heretofore will prepare more detailed estimates on payments it will make for PIF and charge the PIF administrative fund a half-monthly rather than monthly basis.

b) On the observation that "In all instances advances made to EDF exceeds the amount it disburses", please note that in periods subsequent to that covered by the audit, records show that the reverse has been invariably true so that EDF has been advancing from its general fund to operate the PIF.

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| • Management and Industrial Consultancy Services: 3100674 | • Administration Office: 3100676 3100621, 3100646 |
| • Rural Development and Engineering Services: 3100664 | • Pre-investment Facility: 310-0803; 310-08-35 |
| • Management Information System Services: 3100663 | |

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For example, in January 1991, EDF advanced P60,000 to cover PIF expenses. In February, EDF advances amounted to P33,000; in March, P200,000; in April, P130,000; in May, P166,000; and so forth consistently up to this time.

c) The practice of making check payments and having these encashed by the individuals cited was resorted to when check clearing time between interbank accounts had to be shortened. This practice is being discontinued.

ON THE REIMBURSEMENT AGREEMENT

Item 1:

The PIF is intended to support real-life pre-investment studies of private investors. Study plans submitted in support of the requested grants are thus considered open to change. EDF's 28 years of experience has shown that plans for applied studies need to be adjusted routinely to reflect new information, changes in business conditions, and emerging arrangements and approaches of the sponsors, their financial sources, and their potential buyers and suppliers.

The RA, as well as the screening and evaluation criteria and processes, was carefully developed to provide the flexibility to deal with private proponents and to reduce the burden on proponents as much as possible within limits that would nonetheless enable EDF to exercise the needed levels of control and judicious management of grant funds.

While the budget reflected in the RA itself is kept general for flexibility, the line items are clearly shown and detailed guidelines on what are considered appropriate charges are provided both the proponents and the project staff. Its basis is in detailed documentation that establishes the necessity and realism of the study plan, the budget, and the study team. This detailed documentation is scrutinized during the preparation, screening, and evaluative stages and is the basis for the Board's approval of the grant. Subsequently, when claims are presented, this documentation is referred to by the Project Officer and becomes an important basis for validating whether the claimed expenses were study-related and corresponded to approved eligible costs. The Project Officer's certification is needed as a basis for the Auditor to review the claims and ensure that payments are properly supported.

Item 2:

The RA specifies formal progress reports and meetings to ensure that, when needed, EDF would be able to demand such from problem proponents. In practice, this is routinely waived in favor of oral reports and interviews with proponents and the study team, which achieves the monitoring purposes of written reports without the burden and time involved.

We expect proponents to make routine changes in the course of the study. We routinely clear changes that are apparently done in good faith and do not result in the following:

- a) violation of PIF qualification criteria;
- b) changes in the nature of the project to be implemented;
- c) reduction in study scope without reduction in costs;
- d) additional costs to be charged to the PIF;
- e) charges unrelated or unnecessary to the study.

Where justified expansions of study scope entailing additional costs take place, Board approval is necessary.

ON PROCUREMENT

The inclusion of the indicated items within the approved PIF budget was considered sufficient authorization for the procurement of the items. None of the items were paid without the vouchers and checks being cleared by the Program Manager, the Fund Administration Officer and other approving officers of the EDF. Nevertheless, we agree with the recommendation to apply the purchase order system to all except emergency purchases.

In relation to office materials and supplies, EDF has established suppliers from whom it regularly purchases these items.

In relation to equipment, all major equipment purchases were preceded by canvassing and bidding, and most suppliers qualified were required to demonstrate their equipment. All major printing jobs were canvassed and negotiations were done with qualified lowest bidders who could meet delivery schedules.

In relation to professionals, EDF hires these on the basis of its judgement as to their qualifications and competence to do the work according to the professional standards required.

ON TRAVEL

Travel itineraries are approved by the Program Manager. These itineraries are designed to provide efficient and adequate coverage of proponents the status of whose accounts are monitored through PIF's operations control systems. Oral reports are taken after trips, individually and through staff meetings.

The requirement of written reports, originally instituted within PIF, was discarded to relieve the heavy paperwork of the Project Officers and because these became unnecessary with the establishment of PIF's account tracking system that shows movements of the accounts in each officer's territory.

Cash advances are tracked closely and kept under control. The large outstanding advances are about 90% due to the promotional US trips of the Program Manager and will be liquidated once the realignment of the budget provides for the appropriate items to absorb the costs.

ON PAYROLL

No written accomplishment reports are required of EDF professional staff. PIF's operations control system tracks accomplishments automatically.

On the possible statutory violations, EDF is taking steps to rectify any errors that might have been committed in the case of the three staff members involved, who themselves requested the cited deductions not to be withheld from them.

ON COMMODITIES

The physical inventory of commodities has since been conducted and will be done regularly.

Only one set of computer with accessories remains untagged. USAID has been requested for additional tags.

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**B. Compliance with Agreement Terms, Applicable
Laws and Regulations**

On Item (a) -- The cash advances were based on monthly estimates of disbursements that would be coursed through the EDF system. This is the standard procedure under EDF's financial management system. As earlier discussed, the recommended changes would entail the reorganization of EDF's accounting, treasury and administrative sections and the addition of staff. EDF also believes such would make controls more difficult to achieve.

To address the issues raised, EDF will take the following steps:

- 1) More precise estimates of disbursements that are normally coursed through EDF will be prepared;
- 2) Billings to the PIF administrative account will be done twice a month, instead of monthly.

On Item (b) -- The interests have remained with the banks on a compounding basis. Checks have been prepared covering all interests earned, and these will be remitted to the US Treasurer this coming week (by April 13, 1992).

C. Additional Notes on Schedule I-A

In addition to the above notes on Internal Control and Compliance, we wish to put on record our comments on the item on "Excess of actual salaries ove budgeted amount (based on monthly rate)" in Schedule I-A.

1. The finding is based on the date of approval by the USAID of the mechanism by which EDF denominates project staff salaries in US dollars and uses the actual conversion rate as the basis for computing peso payments to the staff.

However, since the employment contracts of the staff indicated in the finding expired on January 31, 1991, EDF had renewed their contracts, effective February 1, 1991, using renegotiated rates and indicating the dollar-referenced mechanism on the understanding that the mechanism would be cleared with the USAID.

A rejection by USAID of the mechanism would not in any way have affected the renegotiated salaries, only the method by which they would be denominated and disbursed.

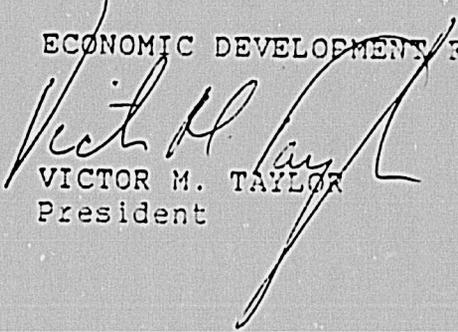
2. Such adjustments in salaries due to renegotiation and to changes in job specifications are entirely in keeping with EDF's compensation practices.

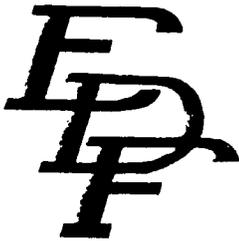
3. No new obligations were entailed outside of the budget approved under the Cooperative Agreement, neither were there transfers of costs from one line item to another.

We trust that the above comments will find place in your report.

Yours truly,

ECONOMIC DEVELOPMENT FOUNDATION


VICTOR M. TAYLOR
President



Economic Development Foundation

20 April 1992

Ms. Minda O. Ledesma
Partner
Carlos J. Valdez & Co.
CJVC Bldg., Aguirre St.
Legaspi Village, Makati
Metro Manila

Dear Ms. Ledesma:

In response to the findings of the audit of the Private Sector Pre-Investment Facility (PIF) that you recently completed, we have taken measures to ensure fuller and clearer documentation of the use of grant funds.

The accompanying table of **Measures to Address Audit Findings on PIF Reimbursements** lists the actions we have taken since our meeting last April 13th with Mr. James L. Jarrell of the Office of the Inspector General, to settle the remaining questions in relation to payments made to PIF proponents.

As to the audit findings reflected in Schedule I-A, we would like to reiterate and elaborate on the notes we sent you in our letter dated 10 April 1992.

A. On "Salary increase claimed prior to the approval of Contracts Services Division. XXX"

1. The finding is based on the date of approval by the USAID of the mechanism by which EDF denominates project staff salaries in US dollars and uses the actual conversion rate as the basis for computing peso payments to the staff.

However, since the employment contracts of the staff indicated in the finding expired on January 31, 1991, EDF had renewed their contracts, effective February 1st.

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| • Rural Development and Engineering Services: 3100664 | • Pre-Investment Facility: 310-0833; 310-08-05 |
| • Management Information System Services: 3100663 | |

using the renegotiated rates and indicating the dollar-referenced mechanism on the understanding that the mechanism would be cleared with the USAID.

A rejection by USAID of the mechanism would not in any way have affected the renegotiated salaries, only the method by which they would be denominated and disbursed.

2. Such adjustments in salaries due to renegotiation and to changes in job specifications are entirely in keeping with EDF's compensation practices.

3. No new obligations were entailed outside of the budget approved under the Cooperative Agreement, neither were there transfers of costs from one line item to another.

B. On "Salaries paid to personnel not included in the original budget.XXX" and "Consultancy fees..."

Again, no new obligations were entailed outside of the budget approved under the Cooperative Agreement, nor were there transfers of costs from one line item to another.

Also, in the budgetary assumptions as well as in the implementation plan submitted by the EDF to USAID, it was clear that under the personnel budget was a lump sum amount from which EDF could draw for additional personnel that the project would need, who had not as yet been identified. The PESO approval cited in the audit report entries was requested by EDF primarily to confirm the original intention of the budgetary and negotiatory assumptions and to clarify the scope of these assumptions. (Apparently the Contracting Office was not involved since no budgetary or contractual changes were effected.)

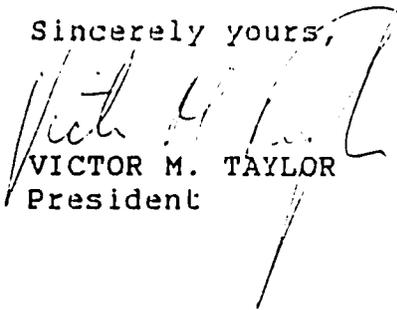
Ms. Minda O. Ledesma, page 3

C. On "IX. Workshop. Car rental...."

We have already obtained the official receipts from Mrs. Galicia. (Exh. 1)

We reiterate our appreciation for the opportunities you gave us to address the questions raised during the audit. This approach provided insights which we find useful in further improving the management of USAID-sponsored projects.

Sincerely yours,



VICTOR M. TAYLOR
President

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**MEASURES TO ADDRESS AUDIT FINDINGS ON
PIF REIMBURSEMENTS**

Shemberg Biotech Corporation

The proponent was contacted by long distance and has already requested APV South East Asia Pte., Ltd. for their direct acknowledgement of the payment. (Original acknowledgement was issued by APV Philippines).

Vulcan Industrial and Mining Corp.

1. The proponent has been requested for copies or certifications of their contracts with Messrs. Gervacio and Glorio. (Exh. 2)

2. We have issued and included in the files the documentation of the verbal authorization allowing Vulcan to conduct the exploration studies through their own personnel and to log the corresponding costs in lieu of contracting outside consultants. Vulcan's change in study plans resulted in savings of over P0.5 million in study costs and a reduction of the PIF grant by P250,000. (Exh. 3)

Asia Pacific Integrated Steel Corporation

1. On review of the documents, EDF is disallowing P30,388 of previously validated expenses, which reduces the reimbursible amount by P15,194. This entire amount will be deducted from the final release to APISCO. (Exh. 4)

2. PIF reimburses study costs incurred by proponents. Our understanding is that proponents are not subject to the USAID per diem rates. However, the PIF Board issued the guidelines that PIF would use USAID rates as a rule-of-thumb ceiling in computing study budgets, beyond which the amounts would have to be specifically justified. Since the APISCO RA was approved before the Board issued its guidelines, the \$150 per diem was allowed.

At any rate, it should be noted that PIF is paying only \$75 of the \$150 per diem allowed, which is still below the USAID rate in the areas of travel.

3. We have requested APISCO to obtain from Concep, Inc. a certification as to the identity of the signatory on the receipt of payment, to satisfy the auditor's requirement. (Exh. 5)

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Jayvi Marketing Corporation

The names of Jennifer S. Viray and Juanity Viray were in the detailed budgetary and study design documents submitted by the proponent in support of the application. Their names, however, were inadvertently left out in the list reflected in the RA. (Exh. 6)

Sason Shop

The project officer, who monitored the project and knows the individuals involved, has issued her certification that Mr. Javellana was assigned as member of the study team and traveled to Manila in connection with the study. (Exh. 7)

Minda International

1. Based on our review of the documents, the disallowed salary payments were not included in the claims -- although the names appeared in the company payroll documents submitted. Thus, these payments were not made by PIF in the first place. (Exh. 8)

2. The contract with Pert is included in the files (Exh. 9). The study was reviewed and certified to by the project officer. The official receipt will be sent by the proponent to supersede the provisional receipt on file.

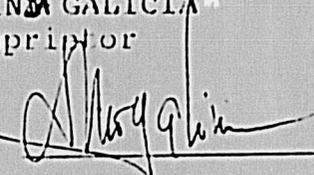
3. The proponent stated that the contract with Dims Engineering Services was verbal, but that he would send the official receipts to supersede the acknowledged cash vouchers on file. The plans prepared by Dims were included in the study reviewed and certified to by the PIF project officer in charge.

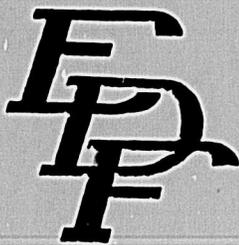


A C K N O W L E D M E N T R E C E I P T

This is to acknowledge receipt from Economic Development Foundation - Private Sector Pre-Investment Facility the amount of Five Thousand Four Hundred Pesos (P5,400.00) as payment of the Van used in the transportation to and from Villa Escudero and Manila for PIF Workshop.

CARMINA GALICIA
Proprietor

Date: 



Economic Development Foundation

April 14, 1992

Mr. Patrick V. Caoile
Executive Vice President
VULCAN INDUSTRIAL AND MINING CORPORATION
4th Flr., Quad Alpha Centrum Bldg.
125 Pioneer Street
Mandaluyong, Metro Manila

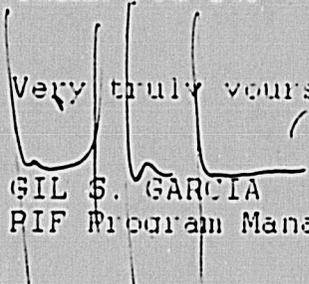
Dear Mr. Caoile:

This is in connection with your request for final reimbursement dated March 18, 1992 per our Reimbursement Agreement No. 009-031-90.

To facilitate the processing of the reimbursement, we request a copy or certification of the updated contract of Mr. Gervacio and the contract of Mr. Glorio to complete the documentations of the personnel study cost.

Thank you for your support of the program.

Very truly yours,


GIL S. GARCIA
RIF Program Manager

5th Floor, Jaka I Building, Ayala Avenue, Makati Manila, Philippines/MCP.O. Box 370 Makati, Metro Manila
FAX (632) 8189269 TEL.FX 64529 CFSO PN Cable: EDEFOINC Manila

- Executive Office: 8160179 8100490
- Management and Industrial Consultancy Services: 8100674
- Rural Development and Engineering Services: 8100664
- Management Information System Services: 8100669
- Human Resources Management and Development Services: 8100665, 8100605, 8100628, 8160182
- Administration Office: 8100676, 8100621, 8100646
- Pre-Investment Facility: 810-0833; 810-08-35

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file

Number 3

Economic Development Foundation

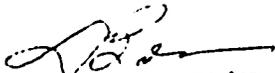
TO : GIL S. GARCIA
PIF - Program Manager

FROM : GENE M. BUNDOC
PIF - Project Officer, Luzon

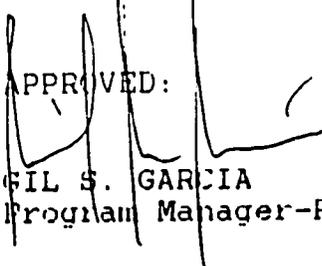
SUBJ : VULCAN INDUSTRIAL AND MINING CORP. (VIMC)
Reimbursement Agreement No. 009-031-90

I request your formal confirmation of the agreement we had with Messrs. Patrick Cacile, EVP and Alfredo Calub, Project Coordinator of VIMC, that in lieu of contracting the geological and drilling exploration as provided in the original study plan and budget under RA No. 009-031-90, they would do the work in-house. This would entail the transfer or ~~the~~ part of the eligible costs reflected under exploration to the in-house personnel budget item. They will also contract a professional driller to supervise the work, and rent equipment to be used in the exploration. The move was expected to save approximately fifty (50) percent of the exploration budgeted cost.

The foregoing was agreed upon. The result of the move saved the company approximately P555,000 out of the budgeted amount for P1,054,800. Actual expenses incurred by the company amounted to about P500,000 only.


GENE M. BUNDOC

APPROVED:


GIL S. GARCIA
Program Manager-PIF

5th Floor, Jaka I Building, Ayala Avenue, Makati Manila, Philippines/MCP.O. Box 370 Makati, Metro Manila
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EDF 1

Economic Development Foundation

TO : BLESILDA I. ZABAY - PIF ACCOUNTANT
FROM : GENE M. BUNDOC - PIF PROJECT OFFICER
THROUGH : GIL S. GARCIA, PROGRAM MANAGER *J. S. Garcia*
SUBJECT : APISCO Reimbursement Agreement No.025-065-91
DATE : April 20, 1992

This refers to the Summary of Eligible Expenses for ASIA PACIFIC STEEL CORPORATION, under which we validated the salaries of bookkeeper and driver as part of the study expenses incurred by the proponent.

We reviewed these expenses after the Carlos J. Valdez and Co. auditors took note of them. These costs should be considered ineligible.

As such, the Validated Actual Expenses should be reduced by ₱30,388, and the Reimbursable Amount by ₱15,194.

Kindly make the necessary adjustment. Since ₱7,597 of the amount to be disallowed was already paid with the initial reimbursement, the entire ₱15,194 should be deducted from the final reimbursement.

GENE M. BUNDOC

5th Floor, Jaka 1 Building, Ayala Avenue, Makati Manila, Philippines/MCP.O. Box 370 Makati, Metro Manila
FAX (632) 8189269 TELEX 64529 CESO PN Cable: EDEFOINC Manila

-
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 - Pre-Investment Facility: 810-0833; 810-08-35



Economic Development Foundation

April 21, 1992

Mr. Benjamin Chua, Jr.
President
ASIA PACIFIC INTEGRATED STEEL CORP.
25 Pacific St., Baesa
1106 Quezon City, Metro Manila

Attention : Ms. Grace Frigillana

Dear Mr. Chua, Jr:

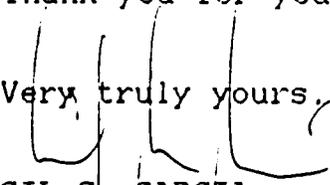
This is to confirm in writing the verbal request we made through your consultant, Ms. Grace Frigillana, for an additional supporting document in connection with the expenses incurred per our Reimbursement Agreement No. 025-065-91.

Our Auditor's finding of the document (voucher) covering payment to Concep Inc. showed an unidentifiable signature nor covered by an official receipt.

We would appreciate if you could forward to us the duly certified identity of the payee with the corresponding copy of official receipt and/or certification of Concep Inc. that they received payment for the services rendered.

Thank you for your support of the program.

Very truly yours,


GIL S. GARCIA
Program Manager
Pre-Investment Facility

cc: House of Consultant

5th Floor, Jaka 1 Building, Ayala Avenue, Makati Manila, Philippines/MCP.O. Box 370 Makati, Metro Manila
FAX (632) 8189269 TELEX 64529 CESO PN Cable: EDEFOINC Manila

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- Executive Office: 8160179 8100490
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 - Pre-Investment Facility: 810-0833, 810-0835



A.O. file

Article 5.1

Economic Development Foundation

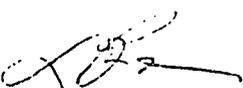
SUBJECT: JAYVI MARKETING
Reimbursable Agreement No. 006-044-90 (RA)

FROM : PROJECT OFFICER

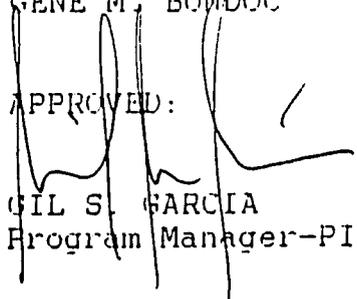
SUBJECT: JAYVI MARKETING
MEMO TO FILE - In-house Personnel

This is to put on record that Ms. Jennifer S. Viray, market researcher and Ms. Juanita S. Viray, proponent and Jewelry Market and technical Specialist who will travel were erroneously not included as members of the In-house personnel study team in the RA. This will not in anyway change the personnel study cost budget as approved by the PIF Board of Review.

Attached are copies of the segment of the evaluation report and the detailed cost of the study wherein it is shown that they are part of the study team.


GENE M. BUMDOC

APPROVED:


GIL S. GARCIA
Program Manager-PIF

5th Floor, Jaka 1 Building, Ayala Avenue, Makati Manila, Philippines/MCP.O. Box 370 Makati, Metro Manila
FAX (632) 8189269 TELELEX 64529 CESO PN Cable: EDEFOINC Manila

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- Pre-Investment Facility: 810-0833; 810-08-35

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ITEMIZATION OF STUDY EXPENSE ITEMS
The Manufacture of Fine Jewelry for Export
 Study Title

Exhibit 6.2

Application Number

01 - PERSONNEL SERVICES

01-10 In-House/Company Personnel

Item No.	NAME	Position in Company	Position in Study Team	Basic Salary		Estimated Man-hours	Total Cost
				Monthly	Hourly		
	1.) Janet S. Viray	Comptroller & Jewelry Appraiser	Fine Jewelry Specialist	₱15,000.00	₱107.15	840	₱90,006.00
	2.) Jennifer S. Viray	Marketing Assistant	Research Assistant	5,000.00	59.55	252	15,006.60
Total							₱105,012.60

02-11 Foreign Travel

Item No.	Route	Purpose	Passengers	Means	Estimated Cost
	Manila - Frankfurt -Antwerp - Rome - Frankfurt - Manila	Technology and Export Market: primary info/data gathering	Mrs. Juanita S. Viray Ms. Janet S. Viray	Air Fare Land Transportation	₱ 72,800.00 36,400.00
Total					₱109,200.00

02-12 Local Travel

Item No.	Route	Purpose	Passengers	Means	Estimated Cost
	Tarlac - Bulacan - Manila & Vice Versa	Production: Primary data gathering	Juanita S. Viray Janet S. Viray Leah R. Panganiban Arlene Mae G. Didal	Private vehicle	₱24,000.00
	Vicinity travel - (travel within Metro Manila)				18,000.00
Total					₱42,000.00

IV. Project Study Cost

The total project study cost totals P752,000, broken down as follows:

1. Personnel	
Outside Consultant	P103,000
In-House.....	<u>107,000</u>
	P210,000
2. Travel	
Foreign (\$1,000 x 2 x 25).....	P 80,000
Transportation Land (\$1,000 x 2 x 25)	50,000
Local (P7,000 x 6 mos).....	<u>42,000</u>
	P172,000
3. Per Diem	
Foreign (\$150 x 2 x 30 days x 25)....	P225,000
Local (P1,000/day x 18 days).....	<u>18,000</u>
	P243,000
4. Supplies and Materials.....	
	P 19,800
5. Communication (P3,000 x 6).....	
	P 18,000
6. Training (Schooling) (\$3,600 x 25)....	
	<u>P 90,000</u>
	P752,000
	=====

Travel abroad will include schooling in Italy for the latest designs, techniques, and equipments for jewelry manufacturing aside from establishing market contact and raw materials sources. The Chairwoman, Mrs Juanita S. Viray, will look into market and raw materials tie-up while in Europe and Ms. Janet S. Viray will attend the seminar in Italy.

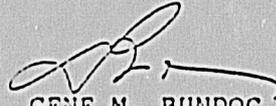
V. Findings

Evaluation showed that the project, proponent, and study criteria have been met. The study cost has been thoroughly discussed with the proponents' representative and consultant, specifically the time allotted for the technical specialist and the necessity of the trip.

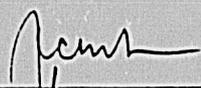
Analysis of the present operation of the company showed that the proponents are very liquid, having total assets of about \$5.6 Million, with a working capital of \$1.06 Million. Equity contribution as of 31 December 1969 is about \$3.8 million. Rate of return on investment for the year 1969 is about fifty-two percent (52%).

VI. Recommendation

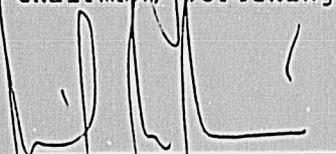
Based on the foregoing findings, the project is highly recommended for approval.


GENE M. BUNDOC
Project Officer

Noted by:



Chairman, Screening Committee



GIL S. GARCIA
Program Manager

D-1.3/jujuwel

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EDF 1992

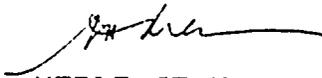
Economic Development Foundation

April 14, 1992

C E R T I F I C A T I O N

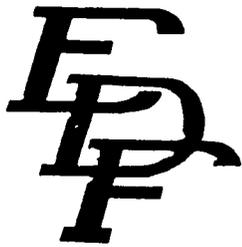
This is to certify that based on my monitoring of the study of Sason Shop, Inc., Mr. E. Javellana is a consultant connected with Datatech Management and Marketing Systems, the external consultant contracted by Sason Shop, Inc. to conduct the project feasibility study for its furniture expansion project. Mr. Javellana was assigned to the study team for some aspects of the financial study.

The purpose of his trip to Manila was to confirm funding sources from the Technology Livelihood and Resource Center (TLRC), which subsequently partly financed Sason Shop's expansion project.


MERLE JEAN O. DEEN
Project Officer
Region 6

5th Floor, Jaka 1 Building, Ayala Avenue, Makati Manila, Philippines/MCP.O. Box 370 Makati, Metro Manila
FAX (632) 8189269 TELEX 64529 CESO PN Cable: EDEFOINC Manila

-
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Economic Development Foundation

April 13, 1992

C E R T I F I C A T I O N

This is to certify that the cost of In-house Personnel for study purposes claimed by Minda International only included salaries of:

1. Canon Navarro
2. Luzviminda Sauls
3. Walter Sauls
4. Marlene Navarro
5. Zenaida Melgazo
6. Alex Miraflores

totalling P103,190.61, of which only P92,760 were validated and paid.

The salaries of Ronnie Navarro, Rossana Navarro-Viduya and Christine Casaysay were not paid as shown in the attached payroll sheet and summary of claims.

Blesilda Zabay
BLESILDA ZABAY

5th Floor, Jaka 1 Building, Ayala Avenue, Makati Manila, Philippines/MCP.O. Box 370 Makati, Metro Manila
FAX (632) 8189269 TELEX 64529 CESO PN Cable: EDEFOINC Manila

-
- Executive Office: 8160179 8100490
 - Management and Industrial Consultancy Services: 8100674
 - Rural Development and Engineering Services: 8100664
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 - Administration Office: 8100676, 8100621, 8100646
 - Pre-Investment Facility: 810-C833; 810-C8-35

Exhibit 8.2

PAYROLL

MINDA INTERNATIONAL

NAME OF ESTABLISHMENT & ADDRESS

For the period of July 16, 1991 to July 31

I/We, the undersigned, hereby certify and acknowledge receipt of the salaries or wages in full as indicated below:

NAME	POSITION	Regular Salary Per Day	REGULAR SALARY			PRIME RATE BASIS			OVERTIME PAY				No. of Days	Minimum Wage 5 (2002 AP-01)	DEDUCTION AND ALLOWANCE					Emergency Allowance	Net or Cash Payment Received	Date	
			No. of Days	Amount	No. of Pieces Produced	Rate Per Piece	Amount	SICRED 001		SICRED 002		Total Deductions			Withhold. Inc Tax	SSS	MEDICAL	HDMF					
								Hrs	Amount	Hrs	Amount												
1 Navarro, Conen			14											10,000								210,000.00	1
2 Gallo, Lucivinda			14											9,000								9,000.00	2
3 Gallo, Walter			14											7,500								7,500.00	3
4 Navarro, Marlene			14											7,500	300	100	25					7,075.00	4
5 Balaguzo, Zenich			14											7,500	300	100	25					7,075.00	5
6 Miraflores, Alex			14											5,000	300	100	25					4,575.00	6
7 Navarro, Ronnie			14											2,500	200	100	25					2,175.00	7
8 Navarro, Rosann			14											2,500	200	100	25					2,175.00	8
9 Caspynay, Cristine			14											1,750	100	100	25					1,525.00	9
10																							10
11														253,250	1,400	600	150					251,100.00	11
12																							12
13																							13
14																							14
15																							15
16																							16
17																							17
18																							18
19																							19
20																							20
												P		TOTAL P #									

CONDITIONS: Every employee is under the jurisdiction of the Eight (8) Hours Labor Law and for the Minimum Wage Act, 602. I/We, the undersigned, hereby certify that the foregoing amounts covering the Salaries & Overtime compensation of the above named establishment have been actually paid to them.

10,000.00 +
 9,000.00 +
 7,500.00 +
 7,075.00 +
 7,075.00 +
 4,575.00 +
 2,175.00 +
 2,175.00 +
 1,525.00 +
 11,306.25 +
 11,306.25 +

Checked by: *[Signature]*

Approved for Payment: _____

001.....

11,306.25 +

11,306.25 +

Minda International

References/Particulars	PERSONNEL		T R A V E L				FER	DIEM	OFFICE	COMMUNI-	ENG'G DE-	REPORT PRE-
	In-house	External	Foreign	Local	Vicinity	Foreign	Local	SUPPLIES	CATIONS	SIGNS	PARATIONS	
Balance forwarded	57,374.11	3,500	85,096.75	11,000.79	1,675.80	50,000.00	23,000.00	2,521.20	5,780.83			
Cash Voucher #1401									50.00			
1403								1,586.20				
1402												
1411				5,076.59								
1417									86.00			
1418									47.80			
1426	11,625.00											
1439				2,278.00								
1443												
1442	11,306.25									23,000.00		
1449												
1448												
1458									638.45			
1459								350.00	252.00			
1471	11,625.00											
1474			8,076.00									
1485	11,306.25											
1492												
1496									3,875.95			
1497		32,500.00									20,000.00	
TOTALS	103,190.61	65,000.00	93,132.75	22,054.20	1,675.80	50,000.00	73,000.00	11,447.40	10,771.08	23,000.00	30,000.00	

March 8, 1991

Mr. Cenon Q. Navarro
President
MINDA INTERNATIONAL
JF Laurel Avenue
Davao City

Dear Mr. Navarro:

This is to formalize our agreement for us to undertake the feasibility study of your Company's proposed operations expansion for international market penetration.

Scope of Services:

It is understood that data gathering and compilation shall be facilitated and provided for by your in-house consultants. We shall be rendering services in the study direction, data processing and analysis and final report preparation.

Fees and Terms of Payment:

For this specific project, the fee of P65,000.00 shall be charged with the following terms:

50% upon acceptance of services offered
50% upon completion of study.

Duration:

The completion of the study is expected to consume three (3) calendar months.

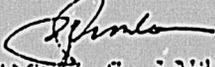
Please find attached herewith our proposed study design and plan for your perusal and approval.

If all these meet your approval, please affix your signature in the space provided below.

Thank you very much for your invitation.

Very truly yours,

FERT ECONOMICS FIRM


JACQUEL G. LARUMDE
Partner

CONFORME:  MR. CENON Q. NAVARRO

IV. COMPUTATION OF INDIRECT COST RATE

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
GRANT NO. AID 492-0452-A-SS-0024-00
ECONOMIC DEVELOPMENT FOUNDATION

COMPUTATION OF INDIRECT COST RATE

The primary objective in determining the indirect cost rate is to ensure the proper allocation of the indirect cost of EDF. Projects being undertaken by EDF in this case, the Pre-Investment Facility must absorb appropriate indirect cost charges.

The following are the procedures conducted in determining the indirect cost rate:

1. From accounting records of EDF we determined the pool of indirect cost for 1990 and 1991. This pool refers to a group of non-allocable expenses incurred in operating EDF. These costs are not directly identifiable to a particular project.
2. From the pool of indirect cost we removed the expenses not allowable under USAID guidelines. The difference is the adjusted indirect cost pool.
3. We used USAID's guidelines using direct labor base in calculating indirect cost rate. The use of direct labor base recognizes the fact that labor is closely related to the function represented by the indirect cost being applied.
4. From accounting records of EDF, we also determined the direct salaries for 1990 and 1991.
5. Finally, we established the formula in determining the indirect cost rate:

$$\text{Indirect Cost Rate} = \frac{\text{Adjusted Indirect Cost Pool}}{\text{Direct Salaries}}$$

Thus, the Indirect Cost Rate for EDF are as follows:

1990	-	51.02%
1991	-	79.84%

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 GRANT NO. AID 492-0452-A-SS-0024-00
 ECONOMIC DEVELOPMENT FOUNDATION

EXHIBIT I

COMPUTATION OF INDIRECT COST RATE

	1 9 9 0			1 9 9 1		
	Expenses	Exclusion/ Unallowable Expenses	Adjusted Indirect Cost Pool	Expenses	Exclusion/ Unallowable Expenses	Adjusted Indirect Cost Pool
Salaries and Wages	3,021,338	633,399	2,387,339	3,304,444	435,122	3,369,322
Employee Benefits	580,346	580,346	-	459,383	459,383	-
Representation and Entertainment	511,080	511,080	-	271,371	271,371	-
Rent	1,013,901	313,407	700,494	1,052,654	147,372	905,282
Transportation and Travel	121,945	38,108	83,337	124,688	17,456	107,232
Postage, Telephone and Office Supplies	315,522	98,601	216,321	284,308	39,303	244,505
Repairs and Maintenance	130,116	40,661	89,455	183,260	25,656	157,304
Light and Water	161,327	41,563	119,544	251,052	29,485	221,567
Depreciation and Amortization	130,365	40,545	89,420	174,462	24,424	150,333
Professional Fees	116,000	11,500	104,500	121,000	-	121,000
Insurance	19,318	19,318	-	25,056	25,056	-
Gratuity Contribution	222,155	222,155	-	266,876	266,876	-
Bad Debts	310,029	310,029	-	291,815	291,815	-
Taxes and Licenses	43,598	43,598	-	29,498	29,498	-
Subscription	153,350	12,821	141,029	90,375	-	90,375
Miscellaneous	12,329	1,069	11,760	12,086	-	12,086
	<u>6,969,319</u>	<u>3,025,020</u>	<u>3,944,399</u>	<u>7,443,428</u>	<u>2,064,417</u>	<u>5,379,011</u>
Direct Salaries			<u>7,731,282</u>			<u>6,737,466</u>
Indirect Cost Rate			<u>51.02%</u>			<u>79.34%</u>

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