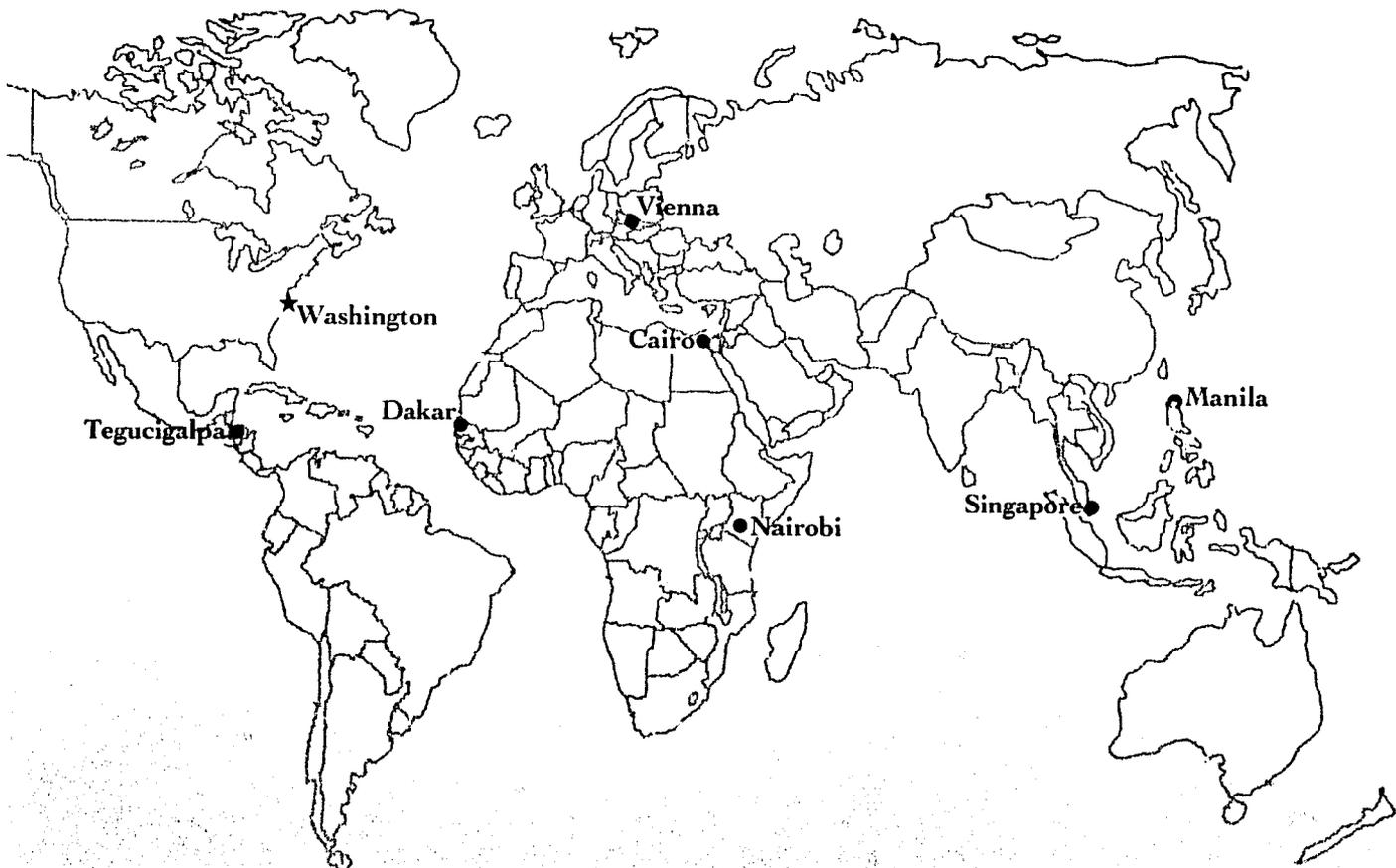


Regional Inspector General for Audit
Singapore

**AUDIT OF
LOUIS BERGER INTERNATIONAL, INC.
IN JOINT VENTURE WITH TCGI ENGINEERS
PHILIPPINES**

Audit Report No. 5-492-92-23-N
September 14, 1992



**AUDIT OF
LOUIS BERGER INTERNATIONAL, INC.
IN JOINT VENTURE WITH TCGI ENGINEERS
PHILIPPINES**

AUDIT REPORT NO. 5-492-92-23-N

September 14, 1992

The Fund Accountability Statement of Louis Berger International, Inc. in joint venture with TCGI Engineers (Contractor) presents fairly the receipts and expenditures under its host-country contract with the Government of Philippines' Department of Public Works and Highways, except that the Contractor had not submitted its proposed final rates for indirect costs and social charges. Except for the above material instance of noncompliance, the Contractor complied, in all material respects, with applicable laws, regulations, and contract terms. Also, certain non-material internal control weaknesses, and \$78,902 in questioned costs arising from noncompliance with various contract terms, were noted.

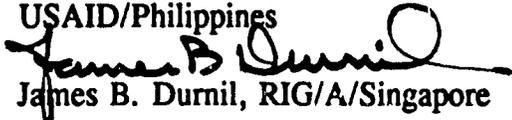
FINANCIAL INFORMATION CONTAINED IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF 18 USC 1905 SHOULD BE CONSIDERED BEFORE ANY INFORMATION IS RELEASED TO THE PUBLIC.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

September 14, 1992

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

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

SUBJECT: Audit of Louis Berger International, Inc. in joint venture with TCGI Engineers -
Philippines
Audit Report No. 5-492-92-23-N

The accounting firm of Sycip, Gorres, Velayo and Co., the Arthur Andersen affiliate in the Philippines, performed a financial audit of the host-country contract between the Government of Philippines' Department of Public Works and Highways (DPWH) and the joint venture of Louis Berger International, Inc. and TCGI Engineers (Contractor) under the Rural Infrastructure Fund Project in the Philippines. Five copies of the audit report are enclosed for your action.

In September 1987, USAID and the Government of the Philippines initiated the \$170 million Rural Infrastructure Fund Project (Project No. 492-0420) to expand the construction and improve the maintenance of rural transport facilities including roads, bridges, ports, and airports. DPWH implements the construction or improvement of roads, bridges, and ports. On September 7, 1989, DPWH entered into a host-country contract with the Contractor to provide engineering and technical services for feasibility studies, engineering design, contract award, and the administration and supervision of construction services. This cost reimbursement plus fixed fee type contract was for approximately \$9 million initially, and was subsequently increased to approximately \$13 million. Services under the contract are expected to be completed in September 1993.

The audit objectives were to: (1) determine whether the Fund Accountability Statement of the Contractor presents fairly the receipts and expenditures under the host-country contract and whether the expenditures were allocable, allowable, and reasonable; (2) report on the Contractor's system of internal controls; and (3) report on the Contractor's compliance with applicable laws, regulations, and contract terms. The period covered by the audit was from September 7, 1989 through December 31, 1991, during which the Contractor reported that a total of \$11,095,412 was billed to USAID and \$9,849,737 had been reimbursed.

The auditors reported that the Fund Accountability Statement of the Contractor presents fairly the receipts and expenditures under the host-country contract, except that the Contractor had not

submitted the proposed final rates for indirect costs and social charges, as required by the host-country contract, and continues to use provisional rates in the computation of reimbursable indirect costs and social charges. Except for the above material instance of noncompliance, the Contractor complied, in all material respects, with applicable laws, regulations, and contract terms. Also, certain non-material internal control weaknesses, and \$78,902 in questioned costs (\$3,971 unsupported) arising from noncompliance with various contract terms, were noted.

Of the seven audit findings identified in the report, the management of the Contractor agreed with five (pages 17, 18, 19, 23 and 24); disagreed with one (page 22); and offered further explanation for the other (page 21). The Contractor's comments are summarized under each finding in the report and are included in full as Appendix I to this report.

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

Recommendation No. 1: We recommend that USAID/Philippines resolve the \$78,902 in questioned costs (\$3,971 unsupported) with Louis Berger International in joint venture with TCGI Engineers, and recover any amounts determined to be unallowable.

Recommendation No. 2: We recommend that USAID/Philippines verify that Louis Berger International, Inc. in joint venture with TCGI Engineers establishes and implements adequate internal control procedures to: (a) assign appropriate supervisors to review billings and supporting documentation, and to document the performance of such reviews; (b) cancel check vouchers and supporting documentation after payment; and (c) periodically reconcile expense records with USAID/Philippines.

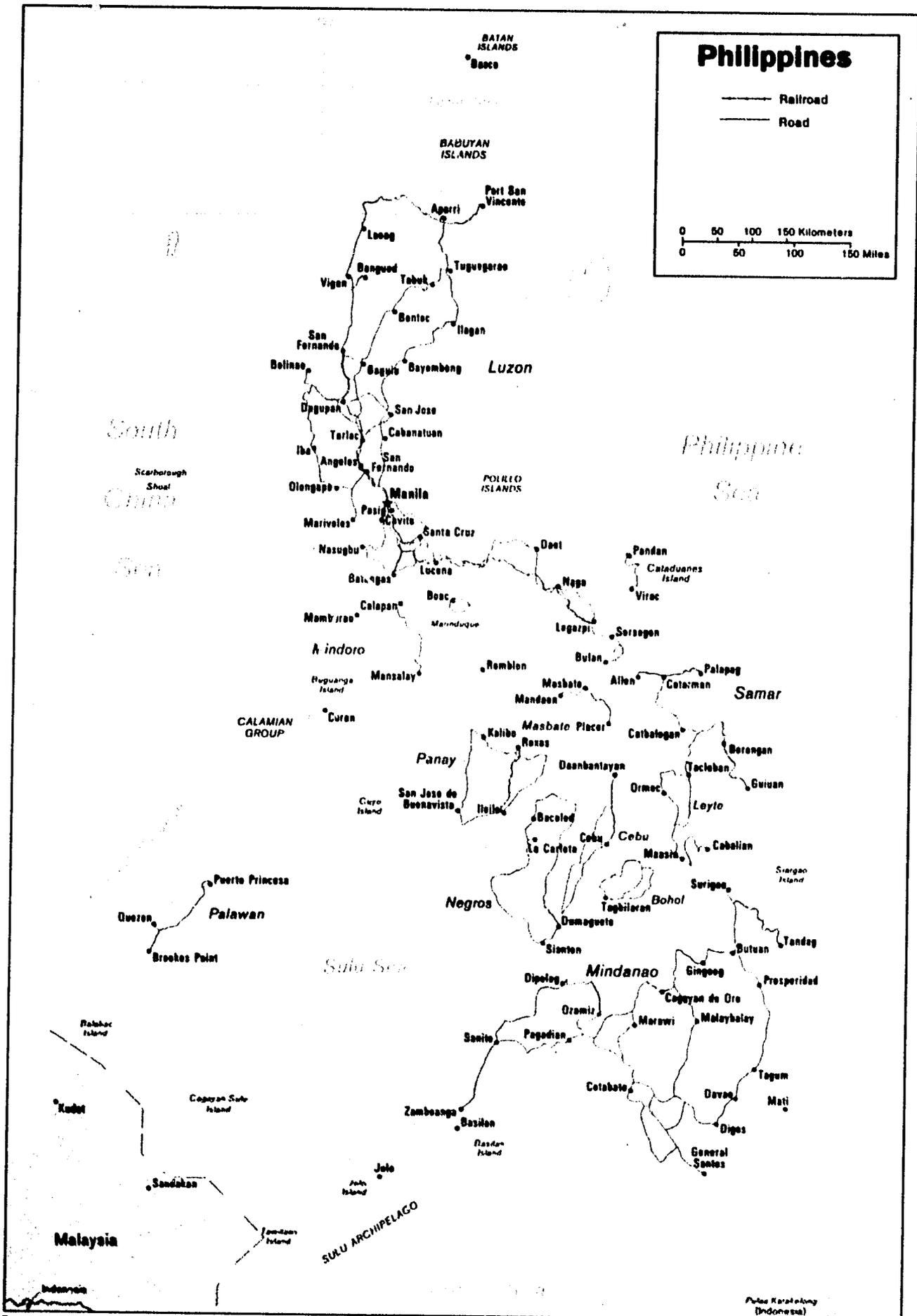
Recommendation No. 3: We recommend that USAID/Philippines verify that: (a) Louis Berger International, Inc. in joint venture with TCGI Engineers submits proposed final indirect cost and social charges rates to the host country's contracting agency; (b) the host country's contracting agency has finalized these rates in accordance with the terms of the host-country contract; and (c) the appropriate cost adjustments, based on these final rates, have been made.

We appreciate the courtesies and cooperation USAID/Philippines and the Contractor extended to the auditors and our staff during the course of this audit. Please advise me within 30 days of any actions planned or taken to close the above recommendations.

Philippines

— Railroad
— Road

0 50 100 150 Kilometers
0 50 100 150 Miles



**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
RURAL INFRASTRUCTURE FUND PROJECT NO. 492-0420
HOST-COUNTRY CONTRACT WITH
LOUIS BERGER INTERNATIONAL, INC.
IN JOINT VENTURE WITH
TCGI ENGINEERS**

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1300 METRO MANILA, PHILIPPINES

TEL. NO. 819-3011
FAX NO. (632) 819-0872
CABLES CERTIFIED
TELEX NO. 63743 SGV PN

Address
6760 AYALA AVENUE, MAKATI
METRO MANILA, PHILIPPINES

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

Dear Mr. Durnil:

We are pleased to submit our report on the results of the financial audit of the host-country contract with Louis Berger International, Inc. in joint venture with TCGI Engineers under the Rural Infrastructure Fund Project No. 492-0420.

A. BACKGROUND

In September 1987, the Republic of the Philippines and the United States of America, through the United States Agency for International Development (USAID), initiated the \$170 million Rural Infrastructure Fund (RIF) Project No. 492-0420 to expand the construction and improve the maintenance of rural transport facilities including roads, bridges, ports and airports. The Government of the Philippines' Department of Public Works and Highways (DPWH) implements the construction or improvement of roads, bridges and ports.

On September 7, 1989, the DPWH contracted Louis Berger International, Inc. in joint venture with TCGI Engineers (Contractor) for \$8,526,692 to provide engineering and technical services on feasibility studies, engineering design, contract award, and administration and supervision of construction services. Subsequent amendments increased the contract cost by \$4,106,824 which included an amendment of \$986,886 after the start of the audit. The contract was a cost reimbursement with a fixed fee. The services under the contract are estimated to be completed in September 1993.

B. AUDIT OBJECTIVES AND SCOPE

As stated in the Delivery Order, the objectives of the financial audit are to:

- o determine whether the Fund Accountability Statement presents fairly the receipts and expenditures under the host-country contract and whether expenditures were in fact allocable, allowable and reasonable;
- o report on the Contractor's internal control system; and
- o report on the Contractor's compliance with the terms of the agreement and applicable laws and regulations.

Our audit covered the total Contractor billings and USAID reimbursements of \$11,095,412 and \$9,849,737, respectively, for the period September 7, 1989 to December 31, 1991.

Our work consisted of the following:

- o Examination of documents supporting receipts and expenditures in accordance with the host-country contract.
- o Evaluation of the adequacy of Contractor's internal controls and procedures relevant to the project.
- o Review of the contract, pertinent documents, and other applicable laws and regulations related to the project.

In determining compliance with laws and regulations, we designed audit steps to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the Fund Accountability Statement.

For the purpose of converting Philippine peso into U.S. dollars, the following foreign exchange rates were used:

- a. U.S. Embassy rate as indicated in every paid public voucher; and
- b. Year-end closing rate for unpaid billings as at December 31, 1991.

C. RESULTS OF AUDIT

The following are the results of our audit:

1. Opinion on the Fund Accountability Statement

As discussed in Note 3 to the Fund Accountability Statement, the Contractor had not submitted the proposed final indirect and social charge rates for local currency component, as required by Article VII, Section 7.8 of the contract, and continues to use provisional rates in the computation of reimbursable indirect costs and social charges. Except for the effect of this matter, the Fund Accountability Statement presents fairly, in all material respects, the receipts and expenditures of the host-country contract for the period September 7, 1989 to December 31, 1991 in conformity with cash basis of accounting, which does not include transactions that would be included had the Fund Accountability Statement been prepared on an accrual basis as contemplated by generally accepted accounting principles.

2. Review of Internal Controls

Our study and evaluation of the internal control structure of the Contractor disclosed the following reportable conditions:

- o No evidence of supervisory review were noted on document supporting expenditures before these are presented to USAID/Philippines for reimbursement. (See page 16, Finding No. 1)
- o Supporting documents for check vouchers were not effectively cancelled after payment. (See page 17, Finding No. 2)
- o Variances between amounts reflected in the records kept by the Contractor and the expenditures reported and approved by USAID/Philippines. (See page 18, Finding No. 3)

However, we believe none of the reportable conditions described above is a material weakness.

3. Compliance Review

As part of our audit objective of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of Contractor's

compliance with certain provisions of laws, regulations and contract terms. For the items tested, we noted one instance of material noncompliance as discussed in Note 3 to the Fund Accountability Statement and in Finding No. 4 on Page 24 and for the items not tested, nothing came to our attention that caused us to believe that Contractor had not comply, in all material respects, with those provisions.

D. SUMMARY OF MANAGEMENT COMMENTS

The Contractor officials generally agreed with our findings and recommendations and their comments are included as "Appendix I" to this report.

SGV & CO.

Metro Manila, Philippines
June 11, 1992



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1300 METRO MANILA, PHILIPPINES

TEL. NO. 819-3011
FAX NO. (632) 819-0872
CABLES CERTIFIED
TELEX NO. 63743 SGV PN

Address
6760 AYALA AVENUE, MAKATI
METRO MANILA, PHILIPPINES

- 5 -

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON THE FUND ACCOUNTABILITY STATEMENT**

Regional Inspector General for Audit/Singapore
United States Agency for International Development
17-03 Peninsula Plaza
111 North Bridge Road
Singapore 0617

We have audited the Fund Accountability Statement of the host-country contract with Louis Berger International, Inc. in joint venture with TCGI Engineers under the Rural Infrastructure Fund Project for the period September 7, 1989 to December 31, 1991. The Fund Accountability Statement is the responsibility of Louis Berger International, Inc. in joint venture with TCGI Engineers' management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

We conducted our 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 Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the Fund Accountability Statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note 3, Louis Berger International, Inc. in joint venture with TCGI Engineers had not submitted the proposed final indirect and social charge rates for the local currency component, as required by Article VII, Section 7.8 of the contract, and continues to use provisional rates in the computation of reimbursable indirect costs and social charges.

In our opinion, except for the effect of the matter discussed in the fourth paragraph, the Fund Accountability Statement referred to above presents fairly, in all material respects, the receipts and disbursements of the host-country contract with Louis Berger International, Inc. in joint venture with TCGI Engineers under the Rural Infrastructure Fund Project for the period September 7, 1989 to December 31, 1991, in conformity with the basis of accounting described in Note 2.

SGV & Co.

Metro Manila, Philippines
June 11, 1992



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P. O. BOX 7658, DOMESTIC AIRPORT POST OFFICE
1300 METRO MANILA, PHILIPPINES

TEL. NO. 819-3011
FAX NO. (832) 819-0872
CABLES CERTIFIED
TELEX NO. 63743 SGV PH

Address
6760 AYALA AVENUE, MAKATI
METRO MANILA, PHILIPPINES

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROLS**

Regional Inspector General for Audit/Singapore
United States Agency for International Development
17-03 Peninsula Plaza
111 North Bridge Road
Singapore 0617

We have audited the Fund Accountability Statement of the host-country contract with Louis Berger International, Inc. in joint venture with TCGI Engineers under the Rural Infrastructure Fund Project for the period September 7, 1989 to December 31, 1991 and have issued our report thereon dated June 11, 1992.

We have conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Fund Accountability Statement is free of material misstatement.

In planning and performing our audit of the host-country contract with Louis Berger International, Inc. in joint venture with TCGI Engineers under the Rural Infrastructure Fund Project, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on the internal control structure.

The management of the Louis Berger International, Inc. in joint venture with TCGI Engineers is responsible for establishing and maintaining an internal control structure. 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 Fund Accountability Statement in accordance with the basis of accounting described in Note 2 to the Fund Accountability Statement. 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 effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures as follows:

- o Payroll
- o Disbursement and procurement
- o Financial reporting

For all of the control categories listed above, 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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Fund Accountability Statement.

Our examination disclosed instances of double billing, incomplete documentation, and expenditures which did not meet the criteria of allowable costs. Furthermore, we noted no signature or tickmark in the supporting documents that would evidence proper review. We also noted that supporting documents for check vouchers were not effectively cancelled, and some variances between amounts reflected in the records kept by Contractor and the expenditures reported and approved by USAID/Philippines.

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 Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the United States Agency for International Development, the Government of the Philippines' Department of Public Works and Highways, and Louis Berger International, Inc. in joint venture with TCGI Engineers. This restriction is not intended to limit the distribution of this report which is a matter of public record.

SGV & Co.

Metro Manila, Philippines
June 11, 1992



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P.O. BOX 7658, DOMESTIC AIRPORT POST OFFICE
1300 METRO MANILA, PHILIPPINES

TEL. NO. 819-3011
FAX NO. (632) 819-0872
CABLES CERTIFIED
TELEX NO. 63743 SGV PN

Address
6760 AYALA AVENUE, MAKATI
METRO MANILA, PHILIPPINES

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE WITH CONTRACT TERMS
AND APPLICABLE LAWS AND REGULATIONS**

Regional Inspector General for Audit/Singapore
United States Agency for International Development
17-03 Peninsula Plaza
111 North Bridge Road
Singapore 0617

We have audited the Fund Accountability Statement of the host-country contract with Louis Berger International, Inc. in joint venture with TCGI Engineers under the Rural Infrastructure Fund Project for the period September 7, 1989 to December 31, 1991, and have issued our report thereon dated June 11, 1992.

We conducted our 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. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

Compliance with laws, regulations, contracts, grants, and binding policies and procedures applicable to the host-country contract with Louis Berger International, Inc. in joint venture with TCGI Engineers is the responsibility of Louis Berger International, Inc. in joint venture with TCGI Engineers' management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of the Louis Berger International, Inc. in joint venture with TCGI Engineers compliance with certain provisions of laws, regulations, contracts, grants, and binding policies and procedures. However, our objective was not to provide an opinion on compliance with such provisions.

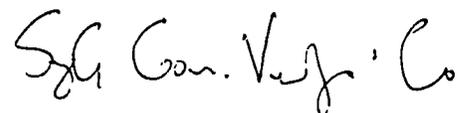
Material instances of noncompliance are violations of laws, regulations, contracts, grants or binding policies and procedures that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Fund Accountability Statement. The results of our tests of compliance disclosed a material instance of noncompliance, as discussed in the following paragraph.

As discussed in Note 3 to the Fund Accountability Statement and in Finding No. 4 on Page 24, Louis Berger International, Inc. in joint venture with TCGI Engineers had not submitted the proposed final indirect and social charge rates for local currency component, as required by Article VII, Section 7.8 of the contract, and continues to use provisional rates in the computation of reimbursable indirect costs and social charges.

We considered this material instance of noncompliance in forming our opinion on whether the Fund Accountability Statement of the host-country contract with Louis Berger International, Inc. in joint venture with TCGI Engineers under the Rural Infrastructure Fund Project for the period September 7, 1989 to December 31, 1991 is presented fairly, in all material respects, on the basis of accounting described in Note 2 to the Fund Accountability Statement, and this report does not affect our report on the Fund Accountability Statement dated June 11, 1992.

Except as described in the fifth paragraph of this report, the results of our tests indicate that with respect to the items tested, Louis Berger International, Inc. in joint venture with TCGI Engineers, 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 Louis Berger International, Inc. in joint venture with TCGI Engineers had not complied, in all material respects, with those provisions.

This report is intended for the information of the United States Agency for International Development, the Government of the Philippines' Department of Public Works and Highways, and Louis Berger International, Inc. in joint venture with TCGI Engineers. This restriction is not intended to limit the distribution of this report which is a matter of public record.



Metro Manila, Philippines
June 11, 1992

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
RURAL INFRASTRUCTURE FUND PROJECT NO. 4-2-0420
HOST-COUNTRY CONTRACT WITH
LOUIS BERGER INTERNATIONAL, INC.
IN JOINT VENTURE WITH
TCGI ENGINEERS
FUND ACCOUNTABILITY STATEMENT
SEPTEMBER 7, 1989 TO DECEMBER 31, 1991**

RECEIPTS (Note 4)	US\$9,849,737
<hr/>	
EXPENDITURES (Note 4 and Schedule 1)	
Personnel compensation	2,985,752
Travel and transportation	486,210
Allowances	688,804
Other direct purchases	441,031
Other direct cost - operating	1,132,979
Local subcontracts	698,646
Indirect costs (Note 3)	3,093,749
Social charges (Note 3)	693,958
Fixed fee	874,283
	<hr/>
	11,095,412
EXCESS OF EXPENDITURES OVER RECEIPTS	US\$1,245,675
	<hr/> <hr/>

See accompanying Notes to Fund Accountability Statement.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
RURAL INFRASTRUCTURE FUND PROJECT NO. 492-0420
HOST-COUNTRY CONTRACT WITH
LOUIS BERGER INTERNATIONAL, INC.
IN JOINT VENTURE WITH
TCGI ENGINEERS
NOTES TO FUND ACCOUNTABILITY STATEMENT**

1. GENERAL

In September 1987, the Republic of the Philippines and the United States of America, through the United States Agency for International Development (USAID), initiated the \$170 million Rural Infrastructure Fund (RIF) Project No. 492-0420 to expand the construction and improve the maintenance of a rural transport facilities including roads, bridges, ports and airports. The Government of the Philippines' Department of Public Works and Highways (DPWH) implements the construction or improvement of roads, bridges and ports.

On September 7, 1989, the DPWH contracted Louis Berger International, Inc. in joint venture with TCGI Engineers (Contractor) for \$8,526,692 to provide engineering and technical services on feasibility studies, engineering design, contract award, and administration and supervision of construction services. Subsequent amendments increased the contract cost by \$4,106,824 which included an amendment of \$986,886 after the start of the audit. The contract was a cost reimbursement with a fixed fee. The services under the contract are estimated to be completed in September 1993.

2. BASIS OF ACCOUNTING

The Fund Accountability Statement was prepared on cash basis of accounting which in accordance with AICPA standards is recognized as a comprehensive basis of accounting other than generally accepted accounting principles.

3. REIMBURSEMENT OF INDIRECT COSTS AND SOCIAL CHARGES

Article VII, Sections 7.6 and 7.7 of the contract entitles the Contractor to reimbursement for all indirect costs and social charges based on provisional rates applied to direct salaries for local and foreign currency component pending establishment of the final indirect and social charge rates. The Contractor

shall submit to DPWH a proposed final indirect and social charge rates for the period, together with supporting cost data, not later than six months after the close of each fiscal year during the term of the contract. Upon establishment of the final indirect and social charge rates an amendment to the contract shall be made subject to prior written approval of DPWH, which shall specify the agreed final rates and the base and period to which the rates apply. As explained in Finding No. 4 on Page 24, to date, the Contractor had not submitted the proposed final indirect and social charge rates for the local currency component of the contract amount.

4. TRANSLATION OF PHILIPPINE PESO TO U.S. DOLLAR

The Fund Accountability Statement includes receipts and disbursements in Philippine peso which have been translated into U.S. dollar for purposes of financial statement reporting using the following exchange rates:

- a. U.S. Embassy rate as indicated in every paid public voucher; and
- b. Year-end closing rate for unpaid billings as at December 31, 1991.

SCHEDULE 1

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
RURAL INFRASTRUCTURE FUND PROJECT NO. 492-0420
HOST-COUNTRY CONTRACT WITH
LOUIS BERGER INTERNATIONAL, INC.
IN JOINT VENTURE WITH
TCGI ENGINEERS
EXPENDITURES REPORT
FOR THE PERIOD SEPTEMBER 7, 1989 TO DECEMBER 31, 1991
(In US Dollar)**

	Contracted Amount	Expended per Books	Questioned Cost	Expended per Audit	Contracted Amount not Expended per Audit
Personnel compensation	3,427,391	2,985,752	3,031	2,982,721	444,670
Travel and transportation	585,552	486,210	459	485,751	99,801
Allowances	911,437	688,804	2,448	686,356	225,081
Other direct purchases	452,707	441,031	13,521	427,510	25,197
Other direct cost - operating	1,256,546	1,132,979	26,574	1,106,405	150,141
Local subcontracts	732,946	698,646	15,933	682,713	50,233
Indirect costs	3,440,676	3,093,749	2,792	3,090,957	349,719
Social charges	849,960	693,958	1,476	692,482	157,478
Fixed fee	976,301	874,283	12,668	861,615	114,686
	12,633,516*	11,095,412	78,902	11,016,510	1,617,006

* Includes amendment cost amounting to \$986,886 after the start of the audit.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
RURAL INFRASTRUCTURE FUND PROJECT NO. 492-0420
HOST-COUNTRY CONTRACT WITH
LOUIS BERGER INTERNATIONAL, INC.
IN JOINT VENTURE WITH
TCGI ENGINEERS
SUMMARY OF FINDINGS, RECOMMENDATIONS AND
MANAGEMENT RESPONSES ON INTERNAL CONTROLS**

1. Evidence of Supervisory Review

Condition

Our examination disclosed instances of double billing, incomplete documentation, and expenditures which did not meet the criteria of allowable costs. Furthermore, we noted no signature or tickmark in the supporting documents that would evidence proper review.

Criteria

Article XII, Section 12.1 of the contract requires the Contractor to maintain books and records as customary and sufficient to properly establish and reflect all transactions, expenditures and payments in accordance with generally accepted accounting principles, procedures and practices. Also, internal control standards require systematic review of staff member's work to the extent necessary. The accounting control system of the Contractor provides for the project accountant to review expenses/disbursements to determine if they are reasonable, allocable and allowable in accordance with the terms of the contract, standard provisions or any negotiated advance understanding on a particular cost item before these are presented to USAID/Philippines for reimbursement.

Cause

The existing internal control procedures were not strictly implemented and signature or tickmark in the supporting documents that would evidence proper review were lacking.

Effect

Accounting errors of about \$11,779 resulted from incomplete documentations, double billings, and other items that did not meet the criteria of allowable costs but were reimbursed by USAID. The details of these individual items are set out in the summary of questioned costs on pages 25 to 28 of this report.

Recommendations

We recommend that the Contractor strictly implement procedures to ensure the review of all billings and supporting documents and to document review such by tickmarks and initials/signature of the project accountant prior to submission to USAID/Philippines.

Management response

Findings are accepted and the recommendation will be implemented.

2. Cancellation of Supporting Documents

Condition

Supporting documents for check vouchers were not effectively cancelled (stamped "PAID" and dated) after payment.

Criteria

Article XII, Section 12.1 of the contract requires the Contractor to maintain books and records as customary and sufficient to properly establish and reflect all transactions, expenditures and payments in accordance with generally accepted accounting principles, procedures and practices. Also, effective internal control measures require that supporting documents for cash disbursements should be effectively cancelled upon completion of payments.

Cause

The Contractor's accounting staff were not effectively cancelling (stamped "PAID" and dated) supporting documents for check vouchers.

Effect

The unpaid documents might be resubmitted to support invalid payments.

Recommendation

We recommend that the Contractor establish and implement procedures to effectively cancel (stamped "PAID" and dated) supporting documents for check voucher upon completion of check payments.

Management Response

In the future, all supporting documents will be stamped "PAID" and dated.

3. Variances in Records

Condition

We noted some variances between amounts reflected in the records kept by Contractor and the expenditures reported and approved by USAID/Philippines.

Criteria

Article VII, Section 7.10 of the contract stipulates that the Contractor may not exceed (a) the total estimated cost set forth in the budget nor (b) the estimated cost for any individual budget item by more than 15%, thus parallel records kept by the Contractor and USAID/Philippines for the project must be reconciled for proper monitoring of cost incurred and reimbursed in connection with the project.

Cause

The differences were mainly due to disallowances made by USAID/Philippines, the details of which were not furnished to Contractor to update their records.

Effect

Cumulative differences might become a problem in the future when the actual cost and reimbursed exceed its 15% limit per line item or the total cost reached or exceed its budget and realignment or amendment to the budget is needed.

Recommendation

We recommend that the Contractor reconcile its record with USAID/Philippines' records regularly (say, monthly or quarterly), so that any difference between the two records will be resolved and acted upon at the earliest time possible.

Management Response

A quarterly reconciliation of records will be appropriate; however, we still have to coordinate with USAID/Philippines staff for proper implementation of this recommendation.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
RURAL INFRASTRUCTURE FUND PROJECT NO. 492-0420
HOST-COUNTRY CONTRACT WITH
LOUIS BERGER INTERNATIONAL, INC.
IN JOINT VENTURE WITH
TCGI ENGINEERS
COMPLIANCE WITH CONTRACT TERMS AND
APPLICABLE LAWS AND REGULATIONS**

1. Peso Cost Reimbursed in Dollars

Condition

In April 1991, the Contractor made a request that expenditures amounting to ₱1,006,824 be reimbursed in U.S. dollars (\$57,396.56). Of the total peso expenditure, ₱105,137 represents the net balance of the peso fixed fee of Supplemental Agreement No. 2, which was approved and reimbursed by USAID/Philippines in the amount of \$16,696.56. Also, no proof of purchase of pesos with U.S. dollars was noted on such amount.

Criteria

Article VIII, Section 8.1.3 of the contract states that "payments under this contract may be made by USAID on behalf of the Contracting Agency (DPWH) in U.S. dollars for peso costs incurred for which the Contractor can demonstrate the purchase of pesos with U.S. dollars. Requests for U.S. dollar reimbursement of peso costs should show amounts in both pesos, and the equivalent amount in U.S. dollars. The request should be accompanied by a certification by the Contractor that the exchange rates used were based on the prevailing exchange rate when U.S. dollars were exchanged for pesos."

Cause

The Contractor included the net balance of peso fixed fee of the supplemental agreement No. 2 on their reimbursement in U.S. Dollar instead of reimbursing the same in Philippine Peso.

Effect

The total dollar value of expenses was overstated by \$12,887 computed as follows:

Total reimbursements	\$16,696
Less: Fixed Fee (₱105,137 ÷ ₱27.60)	<u>3,809</u>
Overstatement	<u>\$12,887</u>

Recommendation

We recommend that the Contractor resolve with USAID/Philippines the dollar payments of \$16,696 and reimbursable peso cost of ₱105,137.

Management Response

The fixed fee for the General Santos City/South Cotabato sub-project covered under Supplemental Agreement No. 2 to the RIF Contract was \$130,215. This was made up of \$74,040 foreign component and ₱1,234,755 local component converted to U.S. dollars at ₱22 = 1\$ (or \$56,125). Due to the depreciation of the pesos, the exchange rate used by USAID varied throughout the Contract. Converting the Pesos denomination portion of the fee to US dollars at the prevailing exchange rate shows that only \$113,518.43 of the fixed fee had been paid. The balance (of \$16,696.56) was therefore requested for reimbursement. Since this is a fee and not a reimbursement of costs there was no actual purchase of Pesos for the referenced amount, only a request to be reimbursed the total U.S. dollar fee as per the Supplemental Agreement.

2. Taxes

Condition

Our examination disclosed that taxes totalling \$54,312 were paid by the Contractor and reimbursed by USAID/Philippines.

Criteria

Article XIV, Section 14.1 and 14.4 of the contract provides that the Contractor and those of its employees who are not residents of the Philippine shall be exempt from all taxes, fees and other impositions imposed under laws in effect in the Philippines with respect to any and all payments made in connection with the services performed under the contract and if the Contractors and their foreign

personnel are for any reasons compelled to pay such taxes, the Contracting Agency (DPWH) shall immediately reimburse the Contractor and its foreign personnel.

Cause

The Contractor did not separate the Value Added Tax (VAT) from the suppliers' invoices, claiming that VAT were not disclosed on the face of supplier's invoice and, therefore, were not identifiable. The Contractor was not knowledgeable that Philippine tax law specifically states that if the VAT is not billed separately or billed erroneously in the invoice, the VAT shall be determined by multiplying the gross receipts (including the amount intended to cover tax or the tax billed erroneously) by 1/11. Other taxes billed to USAID/Philippines were caused by an oversight on the part of Contractor accounting personnel.

Effect

The expenses reimbursed by USAID/Philippines were overstated by \$54,312 pertaining to tax payments, which should have been reimbursed by the Contracting Agency (DPWH). The details of these amounts are set out in the summary of questioned costs on Pages 25 to 28 of this report.

Recommendation

We recommend that the Contractor resolve with USAID/Philippines the payments made for VAT and other taxes of \$54,312.

Management Response

All "identifiable" VAT was billed to DPWH and not USAID. The VAT determined by the auditors is imputed and not identifiable. It was therefore not possible for the Contractor to determine the amount of VAT imputed in the Supplier's invoices. In accordance with Clause 4.3.20 of AID Hand Book 11 (Country Contracting) it is our understanding that taxes and VAT which are not readily identifiable, can be reimbursed by USAID.

3. Late Payment of Certificate

Condition

Based on our examination, the average time of processing of reimbursement application from the time of Contractor's transmittal of invoices and other pertinent documents to the DPWH until payment by USAID/Philippines was 114 and 108 days for foreign and local invoices, respectively. This is considerably in excess of the 60 days as provided by the contract.

Criteria

Article VIII, Section 8.2 of the contract provides that Contractor be reimbursed for expenditures incurred in connection with the performance of the contract plus fixed fee within sixty (60) days following the presentation of the invoices and other pertinent documents.

Cause

There were some delays on the part of DPWH in forwarding the invoices and other pertinent documents to USAID/Philippines for payment. There were also instances where additional requirements needed by USAID/Philippines from the Contractor for the budget realignment and budget supplementals were not immediately communicated to the Contractor for immediate compliance.

Effect

Delay in payments might affect the cash flow position of the Contractor thus affecting its operations and project implementation.

Recommendation

We recommend that USAID/Philippines and the DPWH develop and implement procedures to ensure that payments of Contractor's certificate are made in accordance with the contract.

Management Response

Any improvement in the processing time would be appreciated.

4. Reimbursement of Indirect Cost and Social Charges

Condition

The Contractor had not submitted the proposed final indirect and social charges rates for local currency component of the contract.

Criteria

Article VII, Sections 7.6 and 7.7 of the contract entitles the contractor to reimbursement for all indirect costs and social charges based on provisional rates applied to direct salaries on local and currency component of the contract pending establishment of the final overhead rates. The Contractor shall submit to the Contracting Agency (DPWH) a proposed final indirect and social charge rates for the period, together with supporting cost data, not later than six months after the close of each fiscal year during the term of the contract.

Cause

TCGI Engineers, one of the two principals of the joint venture, overlooked the provision in the contract requiring them to submit the final indirect and social charge rates for the local currency component of the contract not later than six months after the close of each fiscal year of the joint venture.

Effect

The expenses in the Fund Accountability Statement might be understated or overstated depending on the agreed final rates had the TCGI Engineers submitted its final indirect and social charge rates in accordance with the provision of the contract.

Recommendation

We recommend that the Contractor submit its proposed final indirect and social charge rates for the local currency components to enable the Contracting Agency (DPWH) determine the final rates for indirect and social charges as provided in the contract.

Management Response

The audited overhead rate of Louis Berger International, Inc. was submitted on April 13, 1992. For local component, we will submit the overhead rate as soon as it becomes available.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
RURAL INFRASTRUCTURE FUND PROJECT NO. 492-0420
HOST-COUNTRY CONTRACT WITH
LOUIS BERGER INTERNATIONAL, INC.
IN JOINT VENTURE WITH
TCGI ENGINEERS
SUMMARY OF QUESTIONED COSTS
FOR THE PERIOD SEPTEMBER 7, 1989 TO DECEMBER 31, 1991
(In US Dollar)**

Line Item	Particulars	QUESTIONED COSTS			Compliance*
		Unsupported	Ineligible	Total	
Personnel compensation	No daily attendance report	1,197		1,197	
	No employee signature in daily attendance report	506		506	
	Overstatement of disallowance by USAID	(276)		(276)	
	Overstatement of disallowance of salary for a position not in the contract	6		6	
	No. of days claimed exceeds no. of days worked		1,997	1,997	
	Error in footing/computation		(520)	(520)	
	Vacation leave (VL) not supported by VL form to show that it is with pay	117		117	
	No. of days claimed is less than no. of days worked		(36)	(36)	
	Additional adjustments due to change in salary base		(7)	(7)	
	No request for sick leave		80	80	
	Approved VL with pay deducted from days claimed		(40)	(40)	
	Error in adjustments		7	7	
			1,550	1,481	3,031

(Forward)

Line Item	Particulars	QUESTIONED COSTS			Compliance*
		Internal Control		Total	
		Unsupported	Ineligible		
Travel and transportation	Not properly supported	50		50	
	Tax on plane tickets and charter costs				76
	Medicine not part of direct cost		1	1	
	Reimbursement of staff who received per diem		5	5	
	Overstatement of ticket - net of refund		1	1	
	Disallowed tax on plane ticket which should be under "air fares"		(1)	(1)	
	Value added tax				150
	Disallowed by USAID but not deducted from payment			177	177
		50	183	233	226
Allowances	No employee signature on daily time record	79		79	
	Travel order exceeds by 5 days chargeable with per diem	(56)		(56)	
	Wrong per diem rate used		8	8	
	No. of days claimed exceeds no. of days on field		13	13	
	No. of days claimed is less than actual no. of days of field work		(11)	(11)	
	Overpayment of per diem		24	24	
	Double billing		23	23	
	Understatement of disallowance by USAID		5	5	
	Tax on hotel bills				232
	No. of days claimed exceeds no. of days worked		80	80	
	Value added tax				468
	No expense report	10		10	
	Tax/room tax				494

(Forward)

Line Item	Particulars	QUESTIONED COSTS			Compliance*
		Unsupported	Internal Control Ineligible	Total	
	Security deposit		1,079	1,079	
		33	1,221	1,254	1,194
Other direct purchases	Value added tax				13,521
Other direct cost - operating	Lack of various supporting documents	772		772	
	Value added tax				23,434
	Rental deposit		1,928	1,928	
	Investment in share of PLDT		343	343	
	Double billing		66	66	
	Adjustments due to personnel compensation questioned costs		31	31	
		772	2,368	3,140	23,434
Subcontractors	Valued added tax				15,931
	Error in footing	(8)		(8)	
	Medicine not a direct cost		2	2	
	Tax on plane tickets				6
	Nonreimbursable purchases		2	2	
		(8)	4	(4)	15,937
Indirect costs	Adjustments due to personnel compensation questioned costs	1,349	2,229	3,578	
	Error in computation		(786)	(786)	
		1,349	1,443	2,792	
Social charges	Adjustments due to personnel compensation questioned costs	225	475	700	
	Error in computation		776	776	
		225	1,251	1,476	
	Total direct and indirect costs	3,971	7,951	11,922	54,312
	Adjustment on fixed fee due to adjustment on direct and indirect costs		(219)	(219)	

(Forward)

Line Item	Particulars	QUESTIONED COSTS			Compliance*
		Internal Control		Total	
		Unsupported	Ineligible		
	Effect on noncompliance as discussed in finding no. 1 of compliance with contract terms and applicable laws and regulations				12,887
Grand Total		3,971	7,732	11,703	67,199

* Questioned costs amounting to \$54,312 which represent reimbursement for taxes are reimbursable by DPWH. (See Finding No. 2 on pages 21 to 22)



Republic of the Philippines
 Department of Public Works and Highways
 Rural Infrastructure Fund Project



Louis Berger International, Inc.
 In joint venture with
 TCGI Engineers

US-AID
 Project Number
 492-0420

Ref.: LBII/119/LT92

August 5, 1992

MR. WILSON P. TAN
 SYCIP, GORRES, VELAYO & CO.
 CERTIFIED PUBLIC ACCOUNTANTS
 AUDIT DIVISION

RE : RURAL INFRASTRUCTURE FUND PROJECT
 REPORT OF FINANCIAL AUDIT

Dear Mr. Tan:

Further to our review of the draft report of the audit of the RIF project, we have the following response to the issues raised in the report, in addition to our previous comments, already noted in the report:

Management responses on internal controls

1. Evidence of Supervisory Review

Management response : Findings are accepted and recommendation will be implemented.

2. Cancellation of supporting documents

Management response : In the future, all supporting documents will be stamped "PAID" and dated.

3. Variances in Records

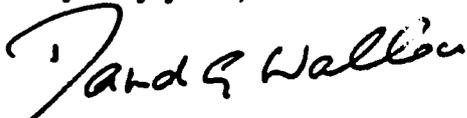
Management response : A quarterly reconciliation of records will be appropriate; however, we still have to coordinate with USAID staff for proper implementation of this recommendation.

Ref.:LBII/119/LT92
August 5, 1992
Page 2

4. Reimbursement of Indirect Cost and Social Charges

Management response : The audited overhead rate of Louis Berger International, Inc. was submitted on April 13, 1992. Attached herewith is the audited overhead rates for TCGI Engineers for the fiscal years 1990 and 1991.

Very truly yours,



DAVID G. WALLACE
Project Manager
Rural Infrastructure Fund Project

Encl: a/s



TCGI ENGINEERS

LOUIS BERGER INTL. INC
 DATE 10 July 1992
 BY: *[Signature]*

10 July 1992

MR. DAVID G. WALLACE
 Project Manager
 Louis Berger International, Inc.

REF	INT	REV	ACT	
DW				
JW				
EC				
TF				
FILE				
PASS ON TO NEXT NAME ON LIST:				

SUBJECT : RURAL INFRASTRUCTURES FUND (RIF) PROJECT OVERHEAD RATE

Dear Mr. Wallace:

In accordance with Article VII Section 7.8 of above contract, we submit herewith copies of our overhead rate for the years 1991 and 1992. Our overhead rate for above years were based on audited cost and expenses for the years ending December 31, 1990 and 1991 (1991 overhead is based on audited financial statements of December 31, 1990).

We regret that we overlooked the provision for period within which we are supposed to file our annual overhead rate. The attached computation of overhead rate are submitted to Economic Support Fund Secretariat for USAID review and to date we are waiting for the final approval.

Thank you.

Very truly yours,

[Signature]
 PABLO D. AREVALO, JR.
 President

TCGI ENGINEERS
CERTIFICATION

Following is the derivation of TCGI Engineers Labor Overhead and General Overhead for the year 1992. (For USAID Projects)

DESCRIPTION	AMOUNT	%
-----	-----	-----
1.0 Base (Technical Payroll)	P 34,306,675	100.00
	-----	-----
2.0 Labor Overhead		
2.01 Basic Pay & Allowances	P 15,292,101	44.57
2.02 13th Month Pay/Christmas Bonus	9,831,560	28.66
2.03 Group Life Insurance	947,214	2.76
2.04 Retirement Fund	2,165,457	6.31
2.05 SSS, Medicare & ECC	1,546,684	4.51
2.06 Holiday Pay	2,519,187	7.34
2.07 Leaves	1,765,220	5.15
2.08 Employees Benefits	2,263,775	6.60
2.09 Overtime Meals	758,824	2.21
2.10 Overtime Premiums	1,061,271	3.09
2.11 Air Freight	32,284	0.09
2.12 Brochures/Information Materials	117,653	0.34
2.13 Depreciation	2,131,112	6.21
2.14 Donations & Contributions	69,800	0.20
2.15 Dues & Subscription	185,653	0.54
2.16 EDP & Computer Supplies	22,531	0.07
2.17 Gasoline & Oil	949,288	2.77
2.18 Interest Expense	551,975	1.61
2.19 Insurance Premiums	581,737	1.70
2.20 Power, Light & Water	693,376	2.02
2.21 Printing & Reproduction	495,835	1.45
2.22 Professional Fees	723,694	2.11
2.23 Representation Expenses	0	0.00
2.24 Repairs & Maintenance	1,046,770	3.05
2.25 Rental: Office Space	3,224,420	9.40
2.26 Rental: Vehicles & Other Equipment	770,367	2.25
2.27 Services: Janitorial & Security	809,294	2.36
2.28 Stationaries & Office Supplies	966,654	2.82

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Page 2

	<u>DESCRIPTION</u>		<u>AMOUNT</u>	<u>%</u>
2.29	Taxes & Licenses	P	799,047	2.33
2.30	Telephone, Telegraph & Cable		354,973	1.03
2.31	Travel & Transportation		483,900	1.41
2.32	Training & Development		231,929	0.68
2.33	Miscellaneous		293,355	0.86
			-----	-----
3.0	Total Overhead	P	53,686,940	156.49
			=====	=====

I certify that this is based on 1991 accounting records of TCGI Engineers.
Our financial figures have been audited by an Independent Auditor.

TCGI Engineers

Eduardo E. Paulino
EDUARDO E. PAULINO
Vice-President
Finance and Admin.

TCGI ENGINEERS
CERTIFICATION

Following is the derivation of TCGI Engineers Labor Overhead and General Overhead for the year 1991. (For USAID Projects)

DESCRIPTION	AMOUNT	%
-----	-----	-----
1.0 Base (Technical Payroll)	P 23,360,314	100.00
	-----	-----
2.0 Overhead		
2.01 Basic Pay & Allowances	P 11,896,797	50.93
2.02 13th Month Pay/Christmas Bonus	6,371,550	27.28
2.03 Group Life Insurance	728,620	3.12
2.04 Retirement Fund	2,285,906	9.79
2.05 SSS, Medicare & ECC	945,112	4.05
2.06 Holiday Pay	1,322,524	5.66
2.07 Leaves	1,233,977	5.28
2.08 Employees Benefits	1,443,605	6.18
2.09 Gasoline/Transportation Allowances	423,471	1.81
2.10 Overtime Meals	841,662	3.60
2.11 Overtime Premiums	795,085	3.40
2.12 Air Freight	23,643	0.10
2.13 Brochures/Information Materials	186,013	0.80
2.14 Depreciation	1,210,018	5.18
2.15 Donations & Contributions	64,000	0.27
2.16 Dues & Subscriptions	383,832	1.64
2.17 EDP & Computer Supplies	179,322	0.77
2.18 Interest Expense	399,801	1.71
2.19 Insurance Premiums	349,570	1.50
2.20 Power, Light & Water	533,218	2.28
2.21 Printing & Reproduction	497,483	2.13
2.22 Professional Fees	971,833	4.16
2.23 Representation Expenses	0	0.00
2.24 Repairs & Maintenance	1,122,209	4.80
2.25 Rental: Office Space	1,457,788	6.24
2.26 Rental: Vehicles & Other Equipment	686,762	2.94
2.27 Services: Janitorial & Security	561,893	2.41
2.28 Stationaries & Office Supplies	1,477,743	6.33

Page 2

DESCRIPTION		AMOUNT	%
-----		-----	-----
2.29 Taxes & Licenses	P	255,990	1.10
2.30 Telephone, Telegraph & Cable		253,275	1.08
2.21 Travel & Transportation		842,443	3.61
2.32 Training & Development		142,020	0.61
2.33 Miscellaneous		284,482	1.22
		-----	-----
3.0 Total Overhead	P	40,171,647	171.97
		=====	=====

I certify that this is based on 1990 accounting records of TCGI Engineers.
Our financial figures have been audited by an Independent Auditor.

TCGI Engineers


 EDUARDO E. PAULINO
 Vice-President
 Finance and Admin.

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**RURAL INFRASTRUCTURE FUND PROJECT, PHILIPPINES
LOUIS BERGER INTERNATIONAL, INC.**

FAX TRANSMISSION

GG 124/92/FAX084

DATE: July 3, 1992

TO : 00 632 8181377

NO. OF PAGES = 6(including this page)

FROM: 00 63 2 492433

TO : WILSON TAN

FROM: DAVID G. WALLACE 

RE : RURAL INFRASTRUCTURE FUND PROJECT
REPORT OF FINANCIAL AUDIT

Further to our review of the draft report of the audit of the RIF project, we have the following response to the issues raised in the report, in addition to our previous comments, already noted in the report:

Pesos Cost Reimbursed in Dollars

The fixed fee for the General Santos City/South Cotabato sub-project covered under Supplemental Agreement No. 2 to the RIF Contract was \$130,215 (see attachment). This was made up of \$74,040 foreign component and ₱1,234,755 local component converted to U.S. dollars at ₱22 = 1 \$ (or \$56,125). As shown by the attached calculation, due to the depreciation of the pesos, the exchange rate used by USAID varied throughout the Contract. Converting the Pesos denomination portion of the fee to US dollars at the prevailing exchange rate shows that only \$113,518.43 of the fixed fee had been paid. The balance (of \$16,696.56) was therefore requested for reimbursement. Since this is a fee and not a reimbursement of costs there was no actual purchase of Pesos for the referenced amount, only a request to be reimbursed the total U.S. dollar fee as per the Supplemental Agreement.

Value Added Tax

All "identifiable" VAT was billed to DPWH and not USAID. The VAT determined by the auditors is imputed and not identifiable. It was therefore not possible for the Contractor to determine the amount of VAT imputed in the Supplier's invoices. In accordance with Clause 4.3.20 of AID Hand Book 11 (Country Contracting) it is our understanding that taxes and VAT which are not readily identifiable, can be reimbursed by USAID.

Late Payment of Certificates

Any improvement in the processing time would be appreciated.

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LOUIS BERGER INTERNATIONAL, INC.
ANALYSIS OF GG124A FIXED FEE COMPUTATION
AS OF APRIL 30, 1991

	FIXED FEE		Difference (B - C)	USAiD FX Rate (E)
	(in Peso) (A)	(in Dollars) at \$1 = P22 at USAiD FX Rate (B) (C)		
Budget Amount	1,234,755.00	56,125.00	56,125.00	
LC 101	(12,081.18)	(549.14)	(436.93)	27.65
LC 102	(33,170.93)	(1,507.77)	(1,240.03)	26.75
LC 102A	(93.70)	(4.26)	(3.50)	26.75
LC 103	(99,864.01)	(4,539.27)	(3,678.23)	27.15
LC 103A	(1,715.50)	(77.98)	(63.19)	27.15
LC 104	(186,848.21)	(8,493.10)	(6,673.15)	28.00
LC 105	(314,689.21)	(14,304.06)	(10,592.03)	29.71
LC 106	(169,309.91)	(7,695.91)	(5,800.27)	29.19
Lc 106A	(639.00)	(29.05)	(22.90)	27.91
LC 107	(92,563.56)	(4,207.43)	(3,186.35)	29.05
LC 107A	(16,184.62)	(735.66)	(579.89)	27.91
LC 108	(56,398.21)	(2,563.56)	(1,928.14)	29.25
LC 108A	(98.78)	(4.49)	(3.38)	29.25
LC 109	(112,077.80)	(5,094.45)	(4,005.64)	27.98
LC 109A	(3,269.28)	(148.60)	(116.84)	27.98
Lc 110	(20,408.24)	(927.65)	(728.61)	28.01
LC 111	(10,205.11)	(463.87)	(369.35)	27.63
Balance	105,137.75	4,778.76	16,696.57	(11,917.81)

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**SUPPLEMENTAL AGREEMENT NO. 2
TO THE
AGREEMENT FOR TECHNICAL AND ENGINEERING SERVICES
FOR
IMPLEMENTING THE ROADS, BRIDGES AND PORTS SUB-PROJECTS
NATIONWIDE UNDER THE USAID ASSISTED RURAL INFRASTRUCTURE FUND
PROJECT, AID NO. 492-0420**

KNOW ALL MEN BY THESE PRESENTS:

This Supplemental Agreement No. 2 to the Original Agreement made and executed this ___ day of ___, 1990 by and between the Republic of the Philippines through the DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, represented herein by the Undersecretary for PMO Operations, hereinafter referred to as the "CONTRACTING AGENCY,"

and

Louis Berger International, Inc. of 100 Halstead Street, East Orange, New Jersey, U.S.A. in joint venture with TCGI Engineers of 6th Floor, JEG Building, 150 Legaspi Street, Legaspi Village, Makati, Metro Manila, represented by David G. Wallace and Pablo D. Arevalo, Jr., hereinafter known as the "CONTRACTOR";

WITNESSETH:

WHEREAS, the Government of the Republic of the Philippines, through the Department of Public Works and Highways (DPWH), hired Louis Berger International, Inc. in association with TCGI Engineers to undertake the required feasibility studies, detailed engineering and construction supervision of roads, bridges and ports projects nationwide under the USAID-assisted Rural Infrastructure Fund Project, AID No. 492-0420 dated 07 September 1989;

WHEREAS, the Government of the Philippines and the United States Agency for International Development (USAID) have agreed to undertake using Philippine Assistance Program (PAP) funds provided by the US, a road construction program in South Cotabato, Mindanao, using the existing Rural Infrastructure Fund (RIF) Project Management Office (PMO) as the implementing office under DPWH. Inasmuch as the objective is to begin construction work as rapidly as possible using a design-build contract, there is an immediate need to conduct feasibility studies and preliminary design of the roads in South Cotabato and General Santos City;

WHEREAS, approximately 440 kilometers of roads have been identified for possible funding in General Santos City/South Cotabato and of these, it is estimated that approximately 69 kilometers will be overlaid. The preliminary design and cost estimates for the 220 kilometers of Highways will be prepared by LBII/TCGI Engineers. Final engineering design and construction of these roads will be undertaken by the design-build Contractor. LBII/TCGI Engineers will prepare construction plans, designs and drawings for the 69 kilometers of overlay which will be executed by an AID-Invitation For Bids (IFB) calling for the paving of the South Cotabato section of the GSC-Davao National Highway;

WHEREAS, the Consultant will provide the necessary office space, equipment, furniture, supplies, and other logistical supports to carry out the consulting services;

WHEREAS, the Consultant will subcontract topographical geotechnical and traffic surveys to local consulting companies;

WHEREAS, the work to be conducted by the Consultant is detailed in the Scope of Work contained in the Request for Proposal which is appended to this Supplemental Agreement as Appendix B;

WHEREAS, the Consultant has manifested his willingness to agree with and accept the revised financial terms and the conditions for the provision of the aforementioned additional services as outlined in the Estimated Budget attached as Appendix A to this Supplemental Agreement;

NOW, THEREFORE, for and in consideration of the above premises and the agreements and covenants hereinafter provided, the additional services to be rendered by the CONTRACTOR and the sum of money to be paid, the Parties hereby agree to supplement the Original Agreement for Consulting Services under the following terms and conditions:

1. That this Supplemental Agreement No. 2 shall be considered as forming part of the Original Agreement of Technical and Engineering Services for Implementing the Roads, Bridges and Ports Sub-projects Nationwide
2. The CONTRACTOR shall extend its services in accordance with the attachments of this Supplemental Agreement and for said extension services, the CONTRACTOR shall be paid ONE MILLION THREE HUNDRED AND TWO THOUSAND ONE HUNDRED AND FIFTY FOUR DOLLARS (\$ 1,302,154) plus a fixed fee of ONE HUNDRED AND THIRTY THOUSAND TWO HUNDRED AND FIFTEEN DOLLARS (\$ 130,215) and reimbursable Value Added Tax (VAT) of TWENTY EIGHT THOUSAND AND SIXTY EIGHT DOLLARS (\$ 28,068) or a total cost of ONE MILLION FOUR HUNDRED AND SIXTY THOUSAND FOUR HUNDRED AND THIRTY SEVEN DOLLARS (\$ 1,460,437) which amount shall not be exceeded without the written amendment to this Supplemental Agreement No. 2 and approved by USAID. The cost and fixed fee amounts shall be released in accordance with fund availment and disbursement procedures of the CONTRACTING AGENCY and USAID.

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3. It is further agreed that the CONTRACTOR, in order to minimize delays in the project schedules, will commence activities to effect the additional services described above and in the attachments prior to the effective date of this Supplemental Agreement. And as agreed upon by both parties, all expenses incurred by the CONTRACTOR for such activities shall be paid under this agreement.
4. The Government may terminate the services of some or all of the staff of the Contractor when the services of the said staff are deemed no longer necessary subject, however, to the notice of termination issued thirty (30) days prior to the effective date of termination.

Handwritten signatures and initials are present at the bottom right of the page, including a large signature, the text "Page 3", and the number "40".

SUPPLEMENTAL AGREEMENT NO. 2 TO THE CONTRACT FOR ENGINEERING AND TECHNICAL SERVICES BETWEEN DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS AND LOUIS BERGER INTERNATIONAL, INC. IN JOINT VENTURE WITH TCGI ENGINEERS CONTRACT NO. 492-0420-ENG-018001-00

IN WITNESS WHEREOF, the parties hereunto to sign this CONTRACT at the places and on the dates indicated.

CONTRACTOR

By: *David G. Wallace*

Signed at Manila
on 7th August 1990

Name : DAVID G. WALLACE
Title : Country Manager (Philippines)
Firm : LOUIS BERGER INTERNATIONAL, INC.

Witness:
[Signature]
Name: MA. REYLI S. CABRERA

and

[Signature]

Name : PABLO D. AREVALO, JR.
Title : Vice - President
Firm : TCGI ENGINEERS

Signed at Manila
on _____

DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, CONTRACTING AGENCY

By:

[Signature]
Name : EDMUNDO V. MIR
Title : Undersecretary
For PMO Operations

Witnesses:

[Signature]
Name : FLORANTE SORIQUEZ
Title: Project Director
RIP

[Signature]
Approved: FIORELLO R. ESTUAR
Secretary

[Signature]
Name : EMILY M. TANQUINTIC
Title: Chief Accountant
DPWH

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APPENDIX II

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