



MEMORANDUM

DATE: May 7, 2019

TO: USAID/Pakistan Mission Director, Jerry Bisson

FROM: USAID OIG Asia Regional Office Audit Director, Matthew Rathgeber /s/

SUBJECT: Financial Audit of EA Consulting (Private) Limited Under Multiple USAID/Pakistan Contracts, July 1, 2016 to June 30, 2017 (5-391-19-029-R)

This memorandum transmits the final audit report on the multiple contracts managed by EA Consulting (Private) Limited (EACPL). EACPL contracted with the independent certified public accounting firm of Deloitte Yousuf Adil, Chartered Accountants (Deloitte) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID Pakistan Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on EACPL's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate EACPL's internal controls; (3) determine whether EACPL complied with award terms and applicable laws and regulations; and (4) determine whether EACPL has taken

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. USAID/Pakistan adopted the entire OIG rescinded Guidelines and named them USAID Guidelines (applicable for USAID/Pakistan audits), which were to be used until the new USAID Guidance is developed and published. The audit contract referred to these same guidelines as USAID Pakistan Guidelines for Financial Audits Contracted by Foreign Recipients (USAID Guidelines).

² We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated EACPL's internal control systems; tested compliance with contract terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered revenues and costs of \$10,570,545 and \$10,609,255³, respectively, from July 1, 2016 to June 30, 2017.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$180 in ineligible questioned costs; and a material weakness in internal control for not having procedures on detailed review of expenditure items. The audit firm did not identify any instance of material noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that the mission determine the allowability of the \$180 in questioned costs and recover any amount determined to be unallowable. Moreover, the mission confirmed that the outstanding award to EACPL ended on March 22, 2019 and there are no current awards to EACPL, therefore we are not making a procedural recommendation for the identified material weakness in internal control.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated May 7, 2019.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").

Attachment: a/s

³ The audit covers two contracts for infrastructure program management services: closeout audit of contract AID-391-TO-13-00003 for the period from July 1, 2016 to March 31, 2017 and contract AID-391-TO-16-00002 for the period from August 8, 2016 to June 30, 2017.