



MEMORANDUM

DATE: March 27, 2020

TO: USAID/Pakistan Mission Director, Julie A. Koenen

FROM: USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

SUBJECT: Financial Audit of the Al-Kasib Group of Engineering Services (AGES) Consultants Under Multiple USAID Contracts in Pakistan, For the Periods Ended September 30, 2018 and November 25, 2018 (5-391-20-021-R)

This memorandum transmits the final audit report on the AGES Consultants under multiple USAID contracts in Pakistan. AGES Consultants contracted with the independent certified public accounting firm of Zeeshan Ali & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. generally accepted government auditing standards and USAID Financial Audit Guide for Foreign Organizations. However, 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 the contractor's fund accountability statement; the effectiveness of its internal control; or its compliance with the contract, laws, and regulations.¹

The audit objectives were to: (1) express an opinion on whether the contractor's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the contractor's internal controls; (3) determine whether the contractor complied with contract terms, and applicable laws and regulations; and (4) determine whether the contractor has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated the effectiveness of the design and operation of the internal control system; conducted tests of the contractor's compliance with contract terms and applicable laws and regulations; and assessed the status of prior audit recommendations. The audit covered

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

project revenues and costs of \$1,603,239 each, for the periods ended September 30, 2018 and November 25, 2018.²

The audit firm concluded that the fund accountability statement presented fairly in all material respects, project revenues and costs incurred under the contracts for the periods audited. The audit firm did not identify any questioned costs or material weaknesses in internal control. The audit firm identified one significant deficiency in internal control and one material instance of noncompliance. Since the two USAID projects ended as of September 2019, we are not making any recommendations on these procedural findings. However, we suggest that the mission review and consider the findings in conjunction with any future award to the contractor. Further, the audit firm also issued a management letter to the contractor identifying internal control matters. Finally, the audit firm reported that two recommendations from a prior period audit were not satisfactorily addressed; thus, they were reported again in the current audit report and management letter, respectively.

During our desk review, we noted minor issues that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated March 27, 2020.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance System. We appreciate the assistance extended during the engagement.

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

² The audit covered two contracts: Closeout audit of Contract AID-391-C-17-00005 (Municipal Services Program [MSP-KP] for the period from October 1, 2017, to November 25, 2018) and Contract AID-391-C-12-00003 (Construction Monitoring and Evaluation Program [CMEP] for the year ended September 30, 2018).