



## MEMORANDUM

**DATE:** July 30, 2020

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

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

**SUBJECT:** Closeout Audit of USAID Resources Managed by A.A. Associates in Pakistan Under Contract AID-391-I-11-00003, July 1, 2018 to October 2, 2019 (5-391-20-061-R)

This memorandum transmits the final audit report of USAID resources managed by A.A. Associates in Pakistan under Contract AID-391-I-11-00003. A.A. Associates contracted with the independent certified public accounting firm of Naveed Zafar Ashfaq Jaffery & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the 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.<sup>1</sup>

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; tested compliance with contract terms and applicable laws and regulations; and

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<sup>1</sup> 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.

assessed the status of prior audit recommendations. The audit covered program revenues and costs of \$3,440,777 and \$2,989,035, respectively, from July 1, 2018 to October 2, 2019.<sup>2</sup>

The audit firm concluded that the fund accountability statement presented fairly in all material respects, program revenues and costs incurred under the contract for the periods audited. It did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. Additionally, the audit firm issued a management letter to the contractor identifying compliance matters. Finally, the audit firm reported that four prior audit recommendations were satisfactorily addressed.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated July 30, 2020.

Given the above results of the audit, we are not making any recommendations. We appreciate the assistance extended during the engagement.

The 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

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<sup>2</sup> The closeout audit covered two task orders under Contract AID-391-I-11-00003: AID-391-TO-16-00007 (Sind Municipal Services Program) for the period from July 1, 2018 to September 30, 2019, and AID-391-TO-16-00003 (Monitoring, Inspection, Milestone Certification and Design Review) for the period from July 1, 2018 to October 2, 2019.