



MEMORANDUM

DATE: October 28, 2020

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

FROM: USAID OIG Asia Regional Office USDH NFA Coordinator, James C. Charlifue /s/

SUBJECT: Financial Audit of Halcrow Pakistan (Pvt) Limited Under Multiple USAID Awards in Pakistan, January 1, 2019 to February 29, 2020 (5-391-21-002-R)

This memorandum transmits the final audit report on costs incurred by Halcrow Pakistan (Pvt) Limited (Halcrow) under the following USAID awards in Pakistan:

Award Name (Type)	Award Number	Audit Period
Independent Quality Assurance for USAID's Stabilization Program Activities in Federally Administered Tribal Areas and Khyber Pakhtunkhwa (indefinite quantity contract)	AID-391-TO-15-00005	January 1 – November 30, 2019 (closeout audit)
Monitoring and Milestone Verification of Waran Canal and Gomal Zam Dam Command Area Development Project in Khyber Pakhtunkhwa (indefinite quantity contract)	AID-391-TO-16-00001	January 1 – December 31, 2019
Architect-Engineer Services for the Construction of Schools in Sindh Stage II (indefinite quantity contract)	AID-391-TO-16-00006	January 1 – September 30, 2019 (closeout audit)
Architect-Engineer Services for the Construction of Schools in Sindh Stage III (indefinite delivery indefinite quantity contract)	Task Order 72039119D00006/ 72039119F00001	October 1 – December 31, 2019
Architect-Engineer Services for Third Party Quality Assurance and Milestone Certification for FIP & KPRP (indefinite delivery indefinite quantity contract)	Purchase Order 72039120P00005	December 1, 2019 – February 29, 2020 (closeout audit)

Halcrow contracted with the independent certified public accounting firm of UHY Hassan Naeem & Co. to conduct the audit. The audit firm stated that it performed the 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. UHY Hassan Naeem & Co. is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on Halcrow's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether Halcrow's fund accountability statement for the period audited was presented fairly, in all material respects, (2) evaluate and obtain sufficient understanding of Halcrow's internal controls, (3) determine whether Halcrow complied with award terms and applicable laws and regulations, and (4) determine if Halcrow had taken adequate corrective actions on prior audit recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and its supporting documents; obtained an understanding of the design and implementation of the contractor's internal control system and tested related controls; tested compliance with contract terms and applicable laws and regulations; and assessed the status of prior audit recommendations. The audit covered costs incurred of \$2,853,792 from January 1, 2019 to February 29, 2020.

UHY Hassan Naeem & Co. concluded that the fund accountability statement presented fairly, in all material respects, costs incurred for the period audited. The audit firm did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. The audit firm also indicated that Halcrow had taken corrective actions on all prior audit recommendations.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We also have suggestions to the mission. We presented these issues in a memorandum to the controller dated October 28, 2020.

The report does not include any recommendations.

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

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.