



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: September 20, 2022

TO: USAID/Pakistan Mission Director, Reed Jay Aeschliman

FROM: USAID OIG Acting Asia Regional Office Audit Director, Esther Park /s/

SUBJECT: Financial Audit of the Purchase of Equipment and Machinery Project in Pakistan Managed by the Government of Khyber Pakhtunkhwa, Grant 59 Project Implementation Letter 391-GOKP-MSP-001-001-19, for the Fiscal Year Ended June 30, 2021 (5-391-22-028-R)

This memorandum transmits the financial audit report on the Purchase of Equipment and Machinery project in Pakistan, managed by the Local Government, Elections and Rural Development Department (LGE & RDD) of the Government of Khyber Pakhtunkhwa (the recipient) under Grant 59 Project Implementation Letter 391-GOKP-MSP-001-001-19, for the fiscal year ended June 30, 2021. The Auditor General of Pakistan (Auditor General) conducted the audit. The Auditor General stated that it performed its audit in accordance with International Organization of Supreme Audit Institutions' standards. The Auditor General is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the recipient's schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.¹

The main audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate the recipient's internal controls; and (3) determine whether the recipient complied with award terms and applicable laws and regulations. To answer the audit objectives, the Auditor General reported that it reviewed the project's revenues and expenditures, assessed relevant internal controls, and tested compliance with applicable requirements. The audit examined the project's revenues and costs of \$2,160,903 each for the audited period.

The Auditor General concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, revenues and costs incurred for the audited period. The Auditor

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

General did not identify any questioned costs, material weaknesses in internal control, or instances of material noncompliance.

In its management letter, the Auditor General identified 11 findings, 4 of which involved monetary effects totaling \$938,421 (Rs 149.2 million). Accordingly, we recommend that USAID Pakistan determine the allowability of and recover, as appropriate, these ineligible questioned costs. The details of the findings and the associated questioned costs are summarized below (Table I).

Table I. Summary of Questioned Costs (Ineligible)

No	Finding Description	Pakistan Rupees (Rs)	US Dollars (\$)	Finding Reference	Page No
1	Overpayment for purchase of vehicles	Rs 23,319,179	\$146,662	4.1.1	18
2	Deductions for the rehabilitation of disabled persons were not deposited as required	687,516	4,324	4.1.2	19
3	Irregular purchase of excavators	117,385,000	738,271	4.2.2	21
4	Loss to government arising from failure to deduct liquidated damages in full	7,817,000	49,164	4.2.3	22
TOTAL QUESTIONED COSTS		Rs 149,208,695	\$938,421		

* A rate of 159 Pakistan Rupees to 1 US Dollar was used in the conversion.

To address the issues identified in the report, we recommend that USAID/Pakistan:

Recommendation 1. Determine the allowability of \$938,421 in ineligible questioned costs as detailed in findings 4.1.1, 4.1.2, 4.2.2, and 4.2.3 on pages 18 to 22 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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”).