



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: February 20, 2024

TO: USAD/Pakistan Mission Director, Kate Somvongsiri

FROM: Deputy Assistant Inspector General for Audit, Christine M. Byrne /s/

SUBJECT: Financial Audit of Sindh Municipal Services Delivery Program in Pakistan Managed by the Government of Sindh Planning and Development Department, Grant 391-PEPA-DG-S-MSP-2011-01, July 1, 2021, to June 30, 2022 (5-391-24-020-R)

This memorandum transmits the final audit report on the Sindh Municipal Services Delivery Program in Pakistan managed by the Government of Sindh Planning and Development Department (grantee), grant number 391-PEPA-DG-S-MSP-2011-01, for the period covering July 1, 2021, to June 30, 2022. The audit was conducted by the Auditor General of Pakistan (Auditor General). The Auditor General stated it performed its audit in accordance with the 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 grantee's schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.¹

The audit objectives were to: (1) express an opinion on whether the program's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate the program's internal controls; and (3) determine whether the program complied with award terms and applicable laws and regulations. To answer the audit objectives, the Auditor General performed the subject financial audit that covered costs of \$4,080,744 for the fiscal year ending June 30, 2022.

The Auditor General concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the award during the audited period. The Auditor General did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance.

¹ We reviewed the Auditor General'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.

In its management letter, the Auditor General identified 12 audit findings that involve monetary effects totaling Rs. 546,541,665 (equivalent to \$3,414,606), which should have been identified as ineligible questioned costs in the project's schedule of expenditures of USAID awards. The details of the findings and the associated questioned costs are disclosed in the below table.

Table I. Summary of Questioned Costs (Ineligible)

No	Finding Description	Pakistan Rupees (Rs)	USD (\$)	Finding Reference	Page Number
1	Irregular payment of allowances to non-project staff	403,665	\$2,522	4.1.2	23
2	Consultancy expenditures without competitive bidding	95,808,000	598,576	4.2.2	25
3	Expenditure on soft components lacking approval	72,060,000	450,206	4.2.3	25
4	Non-remittance of government taxes	52,737,000	329,483	4.2.4	26
5	Non-deduction of sales tax	16,162,000	100,975	4.2.5	26
6	Acquisition splitting to avoid invitation of bids	6,439,000	40,229	4.3.3	28-29
7	Irregular procurement due to price fixing	1,750,000	10,933	4.3.4	29
8	Irregular payment to a contractor for services without required approval	257,617,000	1,609,503	4.4.1	30
9	Excess payment for work outside approved scope	29,328,000	183,231	4.4.2	30
10	Unaccounted consumption of petroleum	5,128,000	32,038	4.5.1	32
11	Irregular expenditure on rent of office building	7,650,000	47,795	4.5.2	33
12	Procurement for renovation work without competitive process	1,459,000	9,115	4.5.3	33-34
TOTAL QUESTIONED COSTS		Rs. 546,541,665	\$3,414,606		

During our desk review, we noted an issue for improvement which the Auditor General will need to address in future audit reports. We presented this deficiency in a memo to the controller dated February 20, 2024.

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

Recommendation I. Determine the allowability of \$3,414,606 in ineligible questioned costs detailed on pages 23 to 34 of the audit report and recover any amount that is unallowable.

We ask that you provide written notification of actions planned or taken to reach a 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”). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act”.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.