



MEMORANDUM

DATE: May 30, 2019

TO: USAID/Pakistan Mission Director, Jerry Bisson

FROM: USAID OIG Asia Regional Office Acting Audit Director, Michael Hutchinson /s/

SUBJECT: Financial Audit of Halcrow Pakistan (Private) Limited Under Multiple USAID/Pakistan Task Orders, for the Year Ended December 31, 2015 (5-391-19-002-N)

This memorandum transmits the final audit report on the multiple task orders managed by Halcrow Pakistan (Private) Limited (Halcrow). USAID/Pakistan contracted with the independent certified public accounting firm of A. F. Ferguson & Co. (AFF) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards except that 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 Halcrow's cost representation statement; the effectiveness of its internal control; or its compliance with the award.²

The audit objectives were to (1) express an opinion on whether the cost representation statement for the period audited, was presented fairly, in all material respects; (2) evaluate Halcrow's internal controls; (3) determine whether Halcrow complied with award terms and applicable laws and regulations; and (4) determine whether Halcrow has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the cost representation statement and supporting documentation; evaluated Halcrow's internal control systems; tested compliance with contract terms and

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the guidelines.

² 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.

applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered project costs of \$4,432,010, for the year ended December 31, 2015.³

The audit firm concluded that the cost representation statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$3,667 in ineligible questioned costs and three instances of material noncompliance related to the questioned costs. The audit firm did not identify any material weaknesses in internal control. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that the mission determine the allowability of the \$3,667 in questioned costs and recover any amount determined to be unallowable. The audit firm also issued a management letter to the recipient identifying other internal control matters or nonmaterial instances of noncompliance.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated May 30, 2019.

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

Recommendation I. Verify that Halcrow corrects the three instances of material noncompliance detailed on page 26 of the audit report.

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

³ The audit covers following four task orders for the year ended December 31, 2015: AID-391-TO-12-00004 (Sindh Basic Education Program); AID-391-TO-12-00010 (Municipal Services Program Peshawar Town-1); AID-391-TO-15-00005 (Independent Quality Assurance for USAID's Stabilization Program Activities in FATA and KP); and AID-391-TO-15-00006 (Technical Work Inspection for USAID's Energy Policy Project and Power Distribution Project).