



MEMORANDUM

DATE: May 23, 2019

TO: USAID/Pakistan Mission Director, Jerry Bisson

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

SUBJECT: Financial Audit of Rural Support Programmes Network Under Multiple USAID/Pakistan Agreements, July 1, 2016 to November 30, 2017 (5-391-19-035-R)

This memorandum transmits the final audit report on the multiple USAID agreements managed by Rural Support Programmes Network (RSPN). RSPN contracted with the independent certified public accounting firm of BDO Ebrahim Co., Chartered Accountants (BDO) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID Pakistan 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 RSPN's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate RSPN's internal controls; (3) determine whether RSPN complied with award terms and applicable laws and regulations; and (4) determine whether RSPN has taken corrective actions

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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. USAID/Pakistan adopted the entire OIG rescinded Guidelines and named them USAID Guidelines (applicable for USAID/Pakistan audits), which were to be used until the new USAID Guidance is developed and published. The audit contract referred to these same guidelines as USAID Pakistan Guidelines for Financial Audits Contracted by Foreign Recipients (USAID 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.

on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated RSPN's internal control systems; tested compliance with agreement terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered project revenues and costs of \$4,265,879 and \$ 4,622,107, respectively, from July 1, 2016 to November 30, 2017.³

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$323 in ineligible questioned costs; three significant deficiencies in internal control and three instances of material noncompliance. 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 mission determine the allowability of the \$323 in questioned costs and recover any amount determined to be unallowable. Furthermore, since all of the projects have ended to date, and USAID/Pakistan does not have existing or planned awards with the recipient, we are not making any recommendations on these procedural findings. The audit firm also issued a management letter to the recipient identifying other internal control matter.

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 23, 2019.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance Tracking System. 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 three close-out audits of the following agreements: cooperative agreements AID-OFDA-A-14-00002 (Tahafuz-II) and AID-391-LA-13-00001 (Maternal and Child Health Integrated Project) for the period from July 1, 2016 to September 30, 2017 and cooperative agreement AID-391-A-14-00002 (Health Communication Project) for the period from July 1, 2016 To November 30, 2017.