



## MEMORANDUM

**DATE:** July 12, 2019

**TO:** USAID/Pakistan Mission Director, Jerry Bisson

**FROM:** USAID OIG Asia Regional Office Acting Audit Director, David Clark /s/

**SUBJECT:** Financial Audit of the Pakistan Private Investment Initiative Project Managed by JSPE Management LLC, Cooperative Agreement AID-391-A-13-00003, May 2, 2016, to December 31, 2017 (5-391-19-046-R)

This memorandum transmits the final audit report on the Pakistan Private Investment Initiative Project. JSPE Management LLC (JSPE) contracted with the independent certified public accounting firm of A. F. Ferguson & Co. 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.<sup>1</sup>

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 JSPE's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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 JSPE's internal controls; and (3) determine whether JSPE complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated JSPE's

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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. The statement of work, however, required the auditors to follow the guidelines, and this contracted audit follows the guidelines.

<sup>2</sup> 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.

internal control systems; tested compliance with agreement terms and applicable laws and regulations. The audit covered project revenues and costs of \$1,019,473 and \$1,044,997 respectively, from May 2, 2016, to December 31, 2017.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the award for the period audited except for \$37 in ineligible questioned costs and an instance of material noncompliance related to shortfall in matching contribution. 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 \$37 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that the mission determine if the recipient addressed the issue noted. 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 July 12, 2019.

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

**Recommendation I.** Verify that JSPE Management LLC corrects the instance of material noncompliance detailed on pages 24 -26 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a 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