



MEMORANDUM

DATE: September 23, 2019

TO: USAID/Pakistan Mission Director, Julie A. Koenen

FROM: USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

SUBJECT: Financial Audit of the Punjab Youth Workforce Development Project in Pakistan Managed by Louis Berger Group Inc., Contract AID-391-C-16-00001, May 18, 2016, to May 25, 2018 (5-391-19-004-N)

This memorandum transmits the final audit report on the Punjab Youth Workforce Development project managed by Louis Berger Group Inc. (LBG). USAID/Pakistan contracted with the independent certified public accounting firm A.F. Ferguson & Co. to conduct the audit. The contract required the audit firm to perform the audit in accordance with U.S. generally accepted government auditing standards (GAGAS).

A.F. Ferguson & Co. stated that it performed its audit in accordance with GAGAS except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. In addition, the audit firm disclosed that it could not (1) review 100 percent of costs incurred at Multan office since its establishment because the LBG financial information system did not allow cost tracking and reporting at the regional offices, including Multan office; and (2) verify the completeness of the income arising from net foreign currency exchange gain because such gain was neither reported or adjusted in the invoices billed to USAID. A.F. Ferguson & Co. is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the contractor's cost representation statement; 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 LBG's cost representation statement for the period audited was presented fairly, in all material respects; (2) evaluate LBG's internal controls; (3) determine whether LBG complied with contract terms (including cost-sharing contributions, if applicable) and applicable laws and regulations; (4) determine if LBG had taken adequate corrective actions on prior audit recommendations; and (5) address

¹ 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.

the mission's specific concerns such as those that relate to the review of LBG's policies on conflict of interest and hiring, and the implementation of these policies by LBG and its subawardees.² To answer the audit objectives, the audit firm examined the cost representation statement; evaluated the internal control system and assessed all related risks; tested compliance with contract terms and applicable laws and regulations; and performed procedures to address the mission's specific concerns. The mission confirmed that the contract did not require cost-sharing contributions. This is the first audit of this contract. The audit covered project costs of \$3,941,984 from May 18, 2016, to May 25, 2018.

A.F. Ferguson & Co. concluded that, except for the effects of the questioned costs totaling \$20,617 (ineligible), the cost representation statement presented fairly in all material respects, project costs incurred under the contract for the period audited. 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 \$20,617 in ineligible questioned costs and recover any amount determined to be unallowable.

The audit firm identified two material weaknesses in internal control and two material instances of noncompliance which are related to the questioned costs. Also, in the discussion of findings and recommendations under internal control deficiencies, the audit firm identified one issue as an other internal control matter. Because the contract has ended to date, we are not making any recommendations on these procedural findings.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated September 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

² The fifth audit objective was included in the background and scope section of the audit report on pages 5 through 6.