



## MEMORANDUM

**DATE:** November 26, 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 Monitoring and Evaluation Services for USAID/Office of Transition Initiatives Funded Projects in Pakistan Managed by Basic Education for Awareness, Reforms and Empowerment, Contract AID-OAA-C-15-000128, July 1, 2017, to June 30, 2018 (5-391-20-007-R)

This memorandum transmits the final audit report on the Monitoring and Evaluation Services for USAID/Office of Transition Initiatives Funded Projects in Pakistan. The Basic Education for Awareness, Reforms and Empowerment (BEFARe) contracted with the independent certified public accounting firm of Horwath Hussain Chaudhury & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup> However, it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. Horwath Hussain Chaudhury & 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 fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.<sup>2</sup>

The audit objectives were to (1) express an opinion on whether BEFARe's fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate BEFARe's internal controls; (3) determine whether BEFARe complied with contract terms and applicable laws and regulations; and (4) determine if BEFARe had taken adequate corrective actions on prior audit recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement; evaluated the internal control system; tested

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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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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 mission, however, asked the auditors in its contract to follow the Guidelines, and this contracted audit followed those 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.

compliance with contract terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered project revenues and costs of \$1,297,529 and \$1,283,644 from July 1, 2017, to June 30, 2018.

Horwath Hussain Chaudhury & Co. concluded that the fund accountability statement presented fairly in all material respects, project revenues and costs incurred under the contract for the period audited. However, the audit firm identified ineligible questioned costs of \$2,948. 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 \$2,948 in ineligible questioned costs and recover any amount determined to be unallowable.

The audit firm did not identify any material weaknesses in internal control or material instances of noncompliance. The audit firm, however, discussed an other matter involving internal control and an immaterial instance of noncompliance in the findings and recommendations section of the report. Two prior audit recommendations were not satisfactorily addressed; thus, they were reported again in the current audit report.

During our desk review, we noted several issues that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated November 26, 2019.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance 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