



MEMORANDUM

DATE: November 27, 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 Aman Institute for Vocational Training's Management of the Karachi Youth Workforce Development Project in Pakistan, Cooperative Agreement AID-391-A-15-00005, July 1, 2017, to June 30, 2018 (5-391-20-008-R)

This memorandum transmits the final audit report on the Karachi Youth Workforce Development Project. Aman Institute for Vocational Training (AIVT) contracted with the independent certified public accounting firm of A. F. Ferguson & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. generally accepted government auditing standards. However, 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 AIVT's fund accountability 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 the recipient's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the recipient's internal controls; (3) determine whether the recipient complied with agreement terms (including cost-sharing contributions, if applicable), and applicable laws and regulations; and (4) determine whether the recipient has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and supporting documentation; evaluated the effectiveness of the design and operation of the internal control system; conducted tests of the recipient's compliance with agreement terms and applicable laws and regulations; and assessed the status

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.

of prior audit recommendations. The audit covered project revenues and costs of \$1,822,541 and \$1,763,359, respectively, from July 1, 2017, to June 30, 2018.

The audit firm concluded that, except for the effect of questioned costs amounting to \$27,556 (ineligible), the fund accountability statement presented fairly, in all material respects, project revenues and costs under the award for the period audited. The ineligible questioned costs pertained to (1) interest income not remitted to USAID – \$72; (2) ineligible personnel benefits charged to USAID – \$23,186; (3) sales tax charged to USAID without submitting exemption requests – \$1,639; and (4) non-project related expenses charged to USAID – \$2,659.

The audit firm identified seven material weaknesses in internal control and five material instances of noncompliance. Since the project has ended and USAID/Pakistan does not have existing or planned awards with the recipient, we are not making any procedural recommendations. The audit firm also issued a management letter to the recipient identifying nonmaterial instances of noncompliance.

Regarding the review of cost-sharing contributions, the audit firm reported that the recipient contributed \$108,485 for the period audited. The audit firm did not report any questioned costs on these contributions. Finally, several prior audit recommendations were not satisfactorily addressed; thus, they were reported again in the current audit report or management letter.

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 27, 2019.

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

Recommendation 1. Determine the allowability of \$27,556 in ineligible questioned costs identified on page 13 and further detailed on pages 16 through 23 of the audit report and recover any amount that is unallowable.

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