



MEMORANDUM

DATE: December 19, 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 Deloitte Yousuf Adil's Management of the Sindh Capacity Development Project in Pakistan, Contract AID-391-C-15-00010, June 1, 2016, to May 31, 2018 (5-391-20-003-N)

This memorandum transmits the final audit report on the Sindh Capacity Development Project managed by Deloitte Yousuf Adil (Deloitte). USAID/Pakistan contracted with the independent certified public accounting firm of KPMG Taseer Hadi & 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, the audit firm confirmed 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 Deloitte'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 Deloitte's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate Deloitte's internal controls; (3) determine whether Deloitte complied with contract terms (including cost-sharing contributions, if applicable), and applicable laws and regulations; (4) determine whether Deloitte had taken adequate corrective actions on prior audit recommendations; and (5) address the mission's concerns such as those that relate to the review of Deloitte's accounting, procurement, and human resources policies and systems.² To answer the audit objectives, the audit firm examined the fund accountability statement and

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

² These five audit objectives were not listed in the audit report. They were included in the audit contract statement of work on pages 3-4 and 11-12.

supporting documentation; evaluated the effectiveness of the design and operation of the internal control system; tested compliance with contract terms and applicable laws and regulations; assessed the status of prior audit recommendations; and performed procedures to address the mission's specific concerns. The mission confirmed that Deloitte does not operate on a cost-sharing approach. The audit covered project revenues and costs of \$2,535,164 each from June 1, 2016 to May 31, 2018.

The audit firm concluded that, except for the effects of the questioned costs of \$1,138 (ineligible), the fund accountability statement presented fairly in all material respects, project revenues and 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 \$1,138 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 instances of material noncompliance. Further, in Sections 7.2 and 7.3 of the audit report, the audit firm noted other internal control matters and nonmaterial instances of noncompliance. Additionally, the audit firm reported that all prior audit recommendations were satisfactorily addressed.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We also made suggestions to the mission. We presented these issues and suggestions in a memorandum to the controller dated December 19, 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