



## MEMORANDUM

**DATE:** February 4, 2020

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

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

**SUBJECT:** Financial Audit of Mehran University of Engineering and Technology Jamshoro's Management of the Center for Advanced Studies in Water Program in Pakistan, Cooperative Agreement AID-391-A-15-00003, July 1, 2017, to June 30, 2018 (5-391-20-014-R)

This memorandum transmits the final audit report on the Center for Advanced Studies in Water Program in Pakistan managed by the Mehran University of Engineering and Technology Jamshoro (MUET). MUET contracted with the independent certified public accounting firm of A.F. Ferguson and Co. to conduct the audit. The audit firm stated that it performed the audit in accordance with U.S. generally accepted government auditing standards (GAGAS). 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 auditor's report and the conclusions expressed in it. We do not express an opinion on the recipient's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

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, 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 internal control system and assessed all related risks; tested compliance with agreement terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered program revenues and costs of \$3,719,444 and \$4,568,408, respectively, from July 1, 2017, to June 30, 2018.

---

<sup>1</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.

A.F. Ferguson and Co. concluded that, except for the effect of questioned costs of \$19,276 (ineligible), the fund accountability statement presented fairly, in all material respects, program revenues and costs under the agreement 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 \$19,276 in questioned costs and recover any amount determined to be unallowable.

The audit firm identified six material weaknesses in internal control and eight material instances of noncompliance. Since the program has ended and USAID/Pakistan does not have existing or planned awards with MUET, we are not making any procedural recommendations. The audit firm also issued a management letter to the recipient identifying other internal control matters. Finally, the audit firm reported that three prior audit recommendations have been resolved.

During our desk review, we noted several issues that the audit firm should address in future audit reports. We presented these issues and a suggestion in a memorandum to the mission's controller dated February 4, 2020.

Given the above results of the audit, we are not making any recommendations. 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