



## MEMORANDUM

**DATE:** April 29, 2020

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

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

**SUBJECT:** Closeout Audit of Gender Equality Program Managed by Aurat Publication and Information Service Foundation in Pakistan, Cooperative Agreement AID-391-A-00-10-01162-00, July 1, 2016, to August 15, 2017 (5-391-20-029-R)

This memorandum transmits the final audit report on the Gender Equality Program managed by Aurat Publication and Information Service Foundation. The recipient 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 generally accepted government auditing standards 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. 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>2</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 the status

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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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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 contract, however, required the auditors 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.

of prior audit report recommendations. The audit covered program revenues and costs of \$6,238,355 each from July 1, 2016, to August 15, 2017.

A.F. Ferguson and Co. concluded that, except for the effects of the questioned costs of \$6,782 (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 \$6,782 in questioned costs and recover any amount determined to be unallowable.

The audit firm did not identify any material weaknesses in internal control. The audit firm, however, reported a material instance of noncompliance related to the questioned costs identified above. Since the program has ended and USAID/Pakistan does not have existing or planned awards with the recipient, we are not making any procedural recommendations. However, we suggest that the mission review and consider the finding in conjunction with any future award to the recipient. The audit firm also issued a management letter to the recipient identifying other internal control matters/immaterial instances of noncompliance. Finally, the audit firm reported that seven prior audit recommendations have been resolved and eight recommendations were not satisfactorily addressed; thus, they were reported again in the current audit report and management letter.

During our desk review, we noted issues that the audit firm should address in future audit reports. We presented these issues and suggestions in a memorandum to the mission's controller dated April 29, 2020.

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