



MEMORANDUM

DATE: May 29, 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 the Pakistan Private Investment Initiative Project Managed by JSPE Management LLC, Cooperative Agreement AID-391-A-13-00003, January 1 to December 31, 2018 (5-391-20-047-R)

This memorandum transmits the final audit report on the Pakistan Private Investment Initiative Project managed by JSPE Management LLC (JSPE). JSPE 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 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 JSPE'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 JSPE's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate JSPE's internal controls; (3) determine whether JSPE complied with agreement terms and applicable laws and regulations; and (4) determine whether JSPE had 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 JSPE's internal controls over financial reporting; tested compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit report recommendations. The audit

¹ We reviewed the A. F. Ferguson & Co.'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.

covered project revenues and costs of \$7,994,095 and \$8,069,122, respectively, from January 1 to December 31, 2018.²

A. F. Ferguson & Co. concluded that except for the effects of the questioned costs of \$22,182 (ineligible), the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited. The ineligible questioned costs pertained to the monitoring, evaluation, and learning costs that were charged to the project prior to the approval of an agreement modification that allowed these costs. The audit firm did not identify any material weaknesses in internal control but identified two material instances of noncompliance; one finding was associated with the questioned costs and the other finding pertained to investments made in one company that did not comply with the investment stipulations stated in the agreement related to environmental, health, and safety. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making recommendations on the questioned costs or the related material instance of noncompliance. Nevertheless, we suggest that the mission determine the allowability of the \$22,182 in questioned costs and recover any amount determined to be unallowable and determine if the recipient addressed the related noncompliance issue. Finally, the audit firm reported that prior audit recommendations have been addressed.

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

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

Recommendation 1. Verify that JSPE Management LLC corrects the one material instance of noncompliance identified in the report on compliance (item i, page 2 of 2) and further detailed on pages 20-22 of the audit report.

We ask that you provide 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

² The audit also covered bank interest of \$524 as reported in the fund accountability statement. The project costs of \$8,069,122 consist of total costs incurred of \$624,547 and investments of \$7,444,575 as reported in the fund accountability statement.