



MEMORANDUM

DATE: June 22, 2020

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

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

SUBJECT: Closeout Financial Audit of Deloitte Yousuf Adil's Management of the Sindh Capacity Development Project in Pakistan, Contract AID-391-C-15-00010, June 1, 2018 to October 31, 2019 (5-391-20-052-R)

This memorandum transmits the final audit report on the multiple USAID awards managed by Deloitte Yousuf Adil (Deloitte). Deloitte 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 the contractor'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, and applicable laws and regulations; and (4) determine whether Deloitte 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 contractor's compliance with contract terms and applicable laws and regulations; and assessed the status of prior audit recommendations. The audit covered project revenues and costs of \$910,697 each, from June 1, 2018 to October 31, 2019.

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.

A. F. Ferguson & Co. concluded that except for the effects of ineligible questioned costs of \$7,147 (\$6,136 ineligible and \$1011 unsupported), the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred and reimbursed under the contracts for the period audited. Since the questioned costs did not meet the Office of Inspector General's (OIG) 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 \$7,147 questioned costs and recover any amount determined to be unallowable. The audit firm identified two material weaknesses in internal control and four material instances of noncompliance. Because the project has ended and the mission has no existing or planned awards with Deloitte, we are not making any recommendations on these procedural findings. However, we suggest that the mission review and consider the findings in conjunction with any future award to the contractor.

Finally, the audit firm reported that all prior audit recommendations were resolved.

During our desk review, we noted issues which 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 June 22, 2020.

This report does not include 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