MEMORANDUM

DATE:       June 23, 2020

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

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


This memorandum transmits the final audit report on the Karachi Youth Workforce Development Project. Aman Institute for Vocational Training (AIVT) 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 AIVT’s fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether AIVT’s fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate AIVT’s internal controls; (3) determine whether AIVT complied with agreement terms and applicable laws and regulations; and (4) determine whether AIVT had taken adequate corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and its supporting documents; evaluated the internal control system and assessed all related risks; tested compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit report recommendations.

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.
recommendations. The audit covered project revenues and costs of $777,864\(^2\) and $545,521, respectively, from July 1, 2018 to September 30, 2019.

A.F. Ferguson & Co. concluded that except for the effects of the questioned costs totaling $41,525 (ineligible), the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited. The questioned costs pertained to ineligible compensation and personnel benefits charged to USAID.

The audit firm identified one material weakness in internal control and three material instances of noncompliance. One material instance of noncompliance was related to the questioned costs in the fund accountability statement. Since the project had 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 findings in conjunction with any future award to the recipient.

Regarding the review of cost-sharing contributions, the audit firm reported cumulative cost-share contributions of $996,647 as of the end of project, which meets the project's life-of-project requirement. The audit firm reported that AIVT contributed $97,467 for the period audited and did not identify any questioned costs on these contributions. Further, two prior audit recommendations had not been satisfactorily addressed; thus, they were reported again in the current audit report.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the mission's controller dated June 23, 2020.

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

**Recommendation 1.** Determine the allowability of $41,525 in questioned costs (ineligible) on pages 11 and 12 of the audit report and recover any amount that is unallowable.

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.

The 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 received and paid to USAID for $1,029 and $777, respectively, as reported in the fund accountability statement.