



MEMORANDUM

DATE: June 24, 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, 2018 to June 30, 2019 (5-391-20-054-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 its audit in accordance with generally accepted government auditing standards except that 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 recipient'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 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 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 the internal control system and assessed all related risks; tested compliance with agreement terms and applicable laws and regulations; and assessed status of

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.

prior audit recommendations. The audit covered program revenue and costs of \$2,427,757 and \$2,382,824, respectively, from July 1, 2018 to June 30, 2019.

A.F. Ferguson and Co. concluded that except for the effects of the questioned costs of \$18,273 (\$18,126 ineligible and \$147 unsupported), 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 \$18,273 in questioned costs and recover any amount determined to be unallowable.

The audit firm identified two material weaknesses in internal control and nine 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. However, we suggest that the mission review and consider the findings in conjunction with any future award to the recipient. Finally, the audit firm reported that 13 prior audit recommendations had been resolved.

During our desk review, we noted issues which 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 24, 2020.

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