



MEMORANDUM

DATE: June 30, 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 USAID Resources Managed by University of Engineering and Technology, Peshawar Under Multiple Awards, July 1, 2018 to January 16, 2020 (5-391-20-057-R)

This memorandum transmits the final audit report on the following USAID-funded awards managed by University of Engineering and Technology, Peshawar (UET-P):

Award Name (Type)	Award Number	Audit Period
Center for Advanced Studies in Energy at the University of Engineering and Technology, Peshawar (cooperative agreement)	AID-391-A-14-000007	July 1, 2018 – January 16, 2020 (closeout audit)
Merit and Need Based Scholarship Program (subaward from Higher Education Commission)	-	July 1, 2018 – June 30, 2019

UET-P contracted with the independent certified public accounting firm of Rafaqat Babar & 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 UET-P's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

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.

The audit objectives were to (1) express an opinion on whether UET-P's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate UET-P's internal controls; (3) determine whether UET-P complied with award terms and applicable laws and regulations; and (4) determine whether UET-P had taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement and its supporting documents; performed physical count and inspection of equipment; obtained an understanding of the information system and performed test of controls related to project activities; tested compliance with award terms and applicable laws and regulations; and assessed the status of prior audit report recommendations. The audit covered project revenues and costs of \$5,846,520 and \$5,789,060, respectively, from July 1, 2018 to January 16, 2020.

Rafaqat Babar & Co. concluded that except for the effect of the questioned costs totaling \$6,644 (\$87 ineligible and \$6,557 unsupported), the fund accountability statement presented fairly, in all material respects, project revenues and costs incurred under the awards 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 \$6,644 in questioned costs and recover any amount determined to be unallowable.

The audit firm identified a material weakness in internal control related to UET-P's not defining the officers' authorities for approval of payments in the financial manual (finding 13.6). The audit firm also identified eight material instances of noncompliance. Three were related to questioned costs (findings 13.1, 13.2, and 13.3). The other five were related to UET-P not obtaining insurance coverage for property and equipment acquired with USAID funds (finding 13.4), not implementing the Enterprise Resource Planning system (finding 13.5), not checking vendor names against lists of individuals and organizations associated with terrorism (finding 13.7), not settling a bill of collection with USAID (finding 13.8), and not submitting vouchers for purchases and services to USAID on time (finding 13.9). The audit firm issued a management letter to UET-P identifying two internal control matters.

Finally, the audit firm reported that three prior audit findings were not 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 30, 2020.

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

Recommendation I. Verify that University of Engineering and Technology, Peshawar corrects a material weakness in internal control identified in the report on internal control on page 40 and detailed in finding 13.6 on page 55 of the report.

Recommendation 2. Verify that University of Engineering and Technology, Peshawar corrects the eight material instances of noncompliance identified in the report on compliance on pages 43-44 and detailed in findings 13.1-13.5 on pages 47-54 and in findings 13.7-13.9 on pages 56-59 of the report.

We ask that you provide written notification of actions planned or taken to reach management decisions. 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