



## MEMORANDUM

**DATE:** April 16, 2021

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

**FROM:** USAID OIG Asia Regional Office USDH NFA Coordinator, James C. Charlifue /s/

**SUBJECT:** Closeout Audit of Ambassador's Fund Grant Program in Pakistan Managed by Trust for Democratic Education and Accountability, Contract No. AID-391-C-17-00006, July 1, 2019, to August 31, 2020 (5-391-21-022-R)

This memorandum transmits the final audit report on the Ambassador's Fund Grant Program in Pakistan managed by Trust for Democratic Education and Accountability (TDEA). TDEA contracted with the independent certified public accounting firm of EY Ford Rhodes to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the USAID Financial Audit Guide for Foreign Organizations. However, it did not fully comply with the requirements on having a continuing professional education program and external quality reviews. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on TDEA's fund accountability statement, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether TDEA's fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate TDEA's internal controls; (3) determine whether TDEA complied with contract terms (including cost-sharing contributions, if applicable) and applicable laws and regulations; (4) perform an audit of the indirect cost rate if TDEA has a USAID-authorized provisional indirect cost rate; and (5) determine if TDEA had taken corrective actions on prior audit

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<sup>1</sup> 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.

report recommendations. The audit firm noted that the contract with TDEA does not include cost-sharing requirements or a USAID-authorized provisional indirect cost rate. To answer the audit objectives, EY Ford Rhodes reviewed the contract, applicable federal regulations, USAID policies and guidelines, as well as TDEA's financial and management policies; examined the fund accountability statement and supporting documentation; obtained sufficient understanding of TDEA's internal control systems and assessed control risks; and tested compliance with contract terms, applicable laws, and regulations. The audit covered program revenues and costs of \$1,660,430 and \$1,015,196, respectively, from July 1, 2019, to August 31, 2020.<sup>2</sup>

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the contract for the period audited. The audit firm did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. The audit firm also indicated that TDEA had taken corrective actions on its one prior audit recommendation included in the management letter. EY Ford Rhodes also issued a management letter to TDEA identifying two internal control matters.

During our desk review, we noted several issues that the mission and the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated April 16, 2021.

The report does not include any recommendations.

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

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<sup>2</sup> The total cost incurred of \$1,659,251 for the audited period (page 14 of the report) included payments for fixed amount awards amounting to \$644,055. According to the audit firm, these costs were not subjected to financial audits per section 3.2.1 g of USAID's Automated Directive Systems Chapter 591. It audited only the costs directly incurred by TDEA totaling \$1,015,196.