



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

**DATE:** December 23, 2021

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

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

**SUBJECT:** Financial Audit of Halcrow Pakistan (Pvt) Limited Under Multiple USAID Awards in Pakistan, January 1 to December 31, 2020 (5-391-22-007-R)

This memorandum transmits the final audit report on costs incurred by Halcrow Pakistan (Pvt) Limited (Halcrow) under the following USAID awards in Pakistan:

| <b>Award Name (Type)</b>   | <b>Award Number</b>                             | <b>Audit Period</b>                           |
|--|---|---|
| Monitoring and Milestone Verification of Waran Canal and Gomal Zam Dam Command Area Development Project in Khyber Pakhtunkhwa (indefinite quantity contract) | AID-391-TO-16-00001                             | January 1 – June 30, 2020<br>(closeout audit) |
| Architect-Engineer Services for the Construction of Schools in Sindh Stage III (indefinite delivery indefinite quantity contract)                            | Task Order<br>72039119D00006/<br>72039119F00001 | January 1 – December 31, 2020                 |
| Architect-Engineer Services for Gomal Zam Dam Command Area Development Project (indefinite delivery indefinite quantity contract)                            | Task Order<br>72039119D00006/<br>72039120F00007 | July 1 – December 31, 2020                    |

Halcrow contracted with the independent certified public accounting firm of UHY Hassan Naeem & Co. to conduct the audit. The audit firm indicated that it performed the audit in accordance with generally accepted government auditing standards and the USAID Financial Audit Guide for Foreign Organizations, updated on August 6, 2021. 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 Halcrow's Schedule of Expenditures of USAID awards; the effectiveness of its internal control; or its compliance with

the awards, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether Halcrow's Schedule of Expenditures of USAID Awards for the period audited was presented fairly, in all material respects; (2) evaluate Halcrow's internal controls; (3) determine whether Halcrow complied with the awards terms, and applicable laws and regulations, and as applicable; (4) review cost-sharing contributions if provided and accounted for in accordance with the award's terms; (5) determine if Halcrow had taken adequate corrective actions on prior audit recommendations; and (6) perform an audit of the indirect cost rate if the contractor was authorized to charge indirect costs using provisional rates. The audit firm did not report any prior period audit recommendations and disclosed that the projects under audit did not require cost-sharing contributions. To answer the audit objectives, the audit firm verified the schedule of expenditures of USAID awards, related records, and supporting documentation; obtained an understanding of the design and implementation of the contractor's internal control system; and tested compliance with contract terms and applicable laws and regulations, including review of the third-party auditor's certification to determine whether the distribution and allocation base for the fringe benefits and indirect costs computations were compliant with the indefinite delivery indefinite quantity contracts. The audit covered costs incurred of \$1,029,100 from January 1 to December 31, 2020.

UHY Hassan Naeem & Co. concluded that the schedule of expenditures of USAID awards was presented fairly, in all material respects for costs incurred and reimbursed for the period audited. The audit firm did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. However, the audit firm issued a management letter to report a finding on other matters of internal control.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We also have suggestions to the mission. We presented these issues and suggestions in a memorandum to the controller dated December 23, 2021.

The report does not include any recommendations.

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>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.