



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

### MEMORANDUM

**DATE:** July 21, 2022

**TO:** USAID/Pakistan Mission Director, Reed Jay Aeschliman

**FROM:** USAID OIG Deputy Assistant Inspector General for Audit, Christine M. Byrne /s/

**SUBJECT:** Financial Audit of the Tarbela Dam Repair and Maintenance Phase-II Project in Pakistan Managed by the Water and Power Development Authority, Grant 391-PEPA-ENR-TDR2-00, Fiscal Year that Ended June 30, 2021 (5-391-22-020-R)

This memorandum transmits the final audit report on the Tarbela Dam Repair and Maintenance Phase-II Project in Pakistan, managed by the Water and Power Development Authority (WAPDA), for the period from July 1, 2020, to June 30, 2021. The Auditor General of Pakistan (Auditor General) conducted this audit. The Auditor General stated it performed its audit in accordance with International Standards of Supreme Audit Institutions. The Auditor General is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the grantee's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The main audit objectives were to (1) express an opinion on whether WAPDA's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate WAPDA's internal controls; (3) determine whether WAPDA complied with award terms and applicable laws and regulations; and (4) assess whether WAPDA had taken corrective action on prior audit recommendations. To answer the audit objectives, the Auditor General reported that it tested project expenditures, assessed relevant internal controls, and compliance. The audit reviewed project revenues and costs of \$553,217 and \$818,354, respectively.

The Auditor General concluded that the WAPDA's schedule of expenditures of USAID awards presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited. The Auditor General did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. The Auditor

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<sup>1</sup> We reviewed the Auditor General'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.

General reported that WAPDA management did not provide its views on the audit recommendations and that prior-year recommendations were unresolved.

In the management letter, the Auditor General identified three audit findings involving noncompliance with procurement rules and contractual terms, resulting in a loss and cost increase of \$1,723,980<sup>2</sup>. Accordingly, we are making a recommendation for USAID/Pakistan to determine the allowability of and recover, as appropriate, these questioned costs. The details of the findings and the associated questioned costs are summarized in Table I.

**Table I. Summary of Questioned Costs (Ineligible)**

No	Finding Description	Pakistan Rupee (Rs)	USD (\$) <sup>3</sup>	Finding Reference	Page No
1	Increase in cost of transformers after awarding of contract due to lack of clear and precise product specifications in the request for bid documents	Rs 186,150,000	\$1,197,414	4.1.1	18
2	Increase in contract cost due to delay in fulfillment of contractual obligations	13,890,000	89,348	4.1.2	19
3	Non-renewal of performance security contract as required under project contracts	67,970,000	437,218	4.1.3	21
<b>TOTAL QUESTIONED COSTS</b>		<b>Rs 268,010,000</b>	<b>\$1,723,980</b>		

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

**Recommendation 1.** Determine the allowability of \$1,723,980 in questioned costs (ineligible) detailed in Findings 4.1.1 to 4.1.3 on pages 18-21 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.

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”).

<sup>2</sup> Loss and increased costs were for multi-year contracts for the audited period.

<sup>3</sup> OIG computed questioned costs using the exchange rate of \$155.46 obtained by dividing total costs in rupees by total costs in US Dollars reported in the audited schedule of expenditures of USAID’s awards. In addition, the audit findings related to multi-year contracts.