



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

MEMORANDUM

DATE: September 7, 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 Gomal Zam Dam Command Area Development Project in Pakistan Managed by the Government of Khyber Pakhtunkhwa Agriculture, Livestock and Cooperatives Department, Grant 39I-DOA-GZDCADP-001-001, July 1, 2020, to June 30, 2021 (5-39I-22-023-R)

This memorandum transmits the financial audit report on the Gomal Zam Dam Command Area Development Project in Pakistan managed by the Government of Khyber Pakhtunkhwa Agriculture, Livestock and Cooperatives Department (the grantee) for July 1, 2020, to June 30, 2021. The Auditor General of Pakistan (Auditor General) conducted the audit. The Auditor General is responsible for the enclosed report and the conclusions expressed in it and stated that it performed this audit in accordance with International Organization of Supreme Audit Institutions' standards. 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.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the audited period was presented fairly, in all material respects; (2) evaluate the grantee's internal controls related to the Gomal Zam Dam Command Area Development Project; (3) determine whether the grantee complied with award terms and applicable laws and regulations, including cost-sharing contributions; and (4) determine if corrective actions had been taken on prior audit recommendations. To answer the audit

¹ We reviewed the audit 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 General's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

objectives, the Auditor General conducted the audit that covered revenues and expenditures of \$3,375,767 and \$2,793,407, respectively, for the period audited.

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

Regarding the review of cost-sharing contributions, the Auditor General provided negative assurance about the cost-sharing schedule and reported that the grantee contributed \$700,000 for the period audited. The Auditor General did not report any questioned costs on these cost-sharing contributions. Finally, the Auditor General did not report the status of prior audit recommendations.

In the management letter, the Auditor General identified 24 findings, 6 of which were related to instances of noncompliance with procurement rules and contractual terms, resulting in ineligible costs of \$2,337,335. Accordingly, we recommend that USAID/Pakistan 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 Rupees (Rs)	USD ² (\$)	Finding Reference	Page No
1	Loss due to non-recovery of penalties for breach of contractual delivery time	Rs3,646,018	\$22,521	4.1.2	23
2	Advance payments for construction of water courses and road works were not adjusted for lack of progress	18,883,000	116,639	4.2.3	25
3	Water construction costs were not in accordance with local government procurement regulations	112,188,000	692,977	4.3.1	27
4	Payment for supervision and design of water courses were not in accordance with Planning Commission Performa I provisions.	142,858,508	882,427	4.3.2	28
5	Procurement made without open competitive bidding required by procurement regulations	99,488,000	614,530	4.3.3	29
6	Water courses construction contracts awarded based on rates that were obsolete and higher than updated rates	1,334,140	8,241	4.4.1	30
TOTAL QUESTIONED COSTS		Rs378,397,666	\$2,337,335		

²The expenditures in Rupees are translated to US Dollars using the average exchange rate of Rs161.8928=\$1

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

Recommendation I. Determine the allowability of \$2,337,335 in questioned costs (ineligible) as detailed in Findings 4.1.2, 4.2.3, 4.3.1, 4.3.2, 4.3.3, and 4.4.1 on pages 23-30 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.

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").