



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

MEMORANDUM

DATE: May 7, 2025

TO: USAID/Pakistan, Mission Director, Kate Somvongsiri

FROM: Asia Regional Office, Audit Assistant Director, Rhonda M. Horried /s/

SUBJECT: Financial Audit of Gomal Zam Dam Command Area Development Project in Pakistan, Managed by Agriculture, Livestock and Cooperatives Department, Government of Khyber Pakhtunkhwa, Grant 39I-DOA-GZDCADP-001-001, July 1, 2022, to June 30, 2023 (5-39I-25-033-R)

This memorandum transmits the final audit report on of Gomal Zam Dam Command Area Development Project in Pakistan, Managed by Agriculture, Livestock and Cooperatives Department, Government of Khyber Pakhtunkhwa, Grant 39I-DOA-GZDCADP-001-001, July 1, 2022, to June 30, 2023. The Auditor General of Pakistan (Auditor General) conducted this audit. The Auditor General stated it performed the audit in accordance with the International Standard 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 awardee's schedule of expenditures of USAID awards; ¹ the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to: (1) express an opinion on whether the schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate the recipient's internal controls related to the project; and (3) determine whether the recipient complied with award terms and applicable laws and regulations. To answer the audit objectives, the Auditor General conducted a financial audit that covered costs of \$548,047 for the audited period.

The Auditor General concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, project revenues and costs incurred under the award during the

¹ The Auditor General referred to the schedule of expenditures as a fund accountability statement.

² We reviewed the Auditor General's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify items that need clarification or issues that require management attention. Desk reviews are limited to review of the audit report itself and exclude review of the auditor's supporting workpapers; they are not designed to enable us to directly evaluate the quality of the audit performed.

period audited. The Auditor General did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance.

In its management letter, the Auditor General identified seventeen audit findings, eight of which involve monetary effects totaling \$546,329 (\$389,949 ineligible and \$156,380 unsupported), which should be identified as questioned cost in the schedule of expenditures of USAID awards.

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 disclosed in the table below.

Table I. Summary of Questioned Costs

	Finding Description	Ineligible Costs		Unsupported Costs		Reference Finding & Page Nos.	
		Rs ³	\$	Rs	\$		
1	Overpayment of allowance on project employees.	2,740,000	14,087	-	-	4.1.1	24
2	Unauthorized payment to consultant and its income tax component.	-	-	30,416,000	156,380	4.2.3	25-26
3	No penalty imposed on late completion of works.	9,248,000	47,548	-	-	4.3.3	28-29
4	Unauthorized release of bank guarantees.	38,812,000	199,548	-	-	4.3.5	30
5	Payment for inadmissible items of work.	1,013,000	5,208	-	-	4.4.2	31-32
6	Irregular payment against non-schedule items.	8,032,000	41,296	-	-	4.4.3	32
7	Wasteful expenditure on unutilized materials.	14,415,000	74,113	-	-	4.4.4	32-33
8	Overpayment due to failure to apply void deduction in earthwork measurement.	1,585,000	8,149	-	-	4.4.5	33
TOTAL		75,845,000	389,949	30,416,000	156,380		

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

Recommendation 1. Determine the allowability of \$546,329 in questioned costs (\$389,949 ineligible and \$156,380 unsupported) detailed on pages 31 to 33 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.

³ Rs is the Pakistani Rupees symbol. For this document, all Pakistani Rupee figures have been converted at \$1=Rs194.50 (Computed average exchange rate from the total disbursements presented in the schedule of expenditures).

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”). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.⁴

⁴ The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oinotice_ndaa5274@usaid.gov.