



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

### MEMORANDUM

**DATE:** May 29, 2025

**TO:** USAID/Pakistan, Mission Director, Kate Somvongsiri

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

**SUBJECT:** Financial Audit of Municipal Services Delivery Project, Managed by Planning & Development Department, Government of Sindh in Pakistan, USAID Grant Number 391-PEPA-DG-S-MSP-2011-01, For the year ended June 30, 2023 and 2024 (5-391-25-046-R)

This memorandum transmits the final audit report on the Municipal Delivery Project in Pakistan, managed by Planning & Development Department, Government of Sindh, for the year ended June 30, 2023 and 2024. 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; 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 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 \$5,841,359 for the audited period.<sup>2</sup>

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

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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 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.

<sup>2</sup> The Auditor General referred to the schedule of expenditures as a fund accountability statement. Total expenditures incurred for the year ended June 30, 2023 and 2024 are \$2,428,728 and \$3,412,631, respectively.

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

In the management letter, the Auditor General identified four audit findings that involve monetary effects totaling \$1,049,901 (equivalent to Rs. 222,579,000), which should have been identified as ineligible questioned costs 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 (Ineligible)**

No.	Finding Description	Pakistani Rupees (Rs.)	USD (\$)	Finding Reference	Page Number
1	Unauthorized retention of funds	100,753,000	475,250	4.2.1	50
2	Non-imposition of penalty on contractor's late completion of work	36,034,000	169,972	4.2.2	50-51
3	Irregular payment by misclassification	2,431,000	11,467	4.2.3	51-52
4	Irregular payment on execution of excess items of work	83,361,000	393,212	4.4.4	56-57
<b>TOTAL QUESTIONED COSTS</b>		222,579,000	1,049,901		

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

**Recommendation I.** Determine the allowability of \$1,049,901 in ineligible questioned costs detailed on pages 50 to 57 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"). 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.<sup>3</sup>

<sup>3</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).