



## MEMORANDUM

**DATE:** March 26, 2019

**TO:** USAID/Pakistan Mission Director, Jerry Bisson

**FROM:** USAID OIG Asia Regional Office Audit Director, Matthew Rathgeber /s/

**SUBJECT:** Closeout Audit of the FATA Institutional Strengthening Project in Pakistan, Managed by the Abacus Consulting Technology (Private) Limited, Contract AID-391-C-11-00003, July 1, 2016, to September 30, 2017 (5-391-19-021-R)

This memorandum transmits the final audit report on the FATA Institutional Strengthening Project in Pakistan. Abacus Consulting Technology (Private) Limited (Abacus) contracted with the independent certified public accounting firm of Zeeshan Ali & Co. to conduct the audit. The contract required the audit firm to perform the audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

Zeeshan Ali & Co. stated that it performed its audit in accordance with GAGAS except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. Zeeshan Ali & Co. is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the contractor's cost representation statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

The audit objectives were to (1) express an opinion on whether Abacus' cost representation statement for the period audited was presented fairly, in all material respects; (2) evaluate Abacus' internal controls; (3) determine whether Abacus complied with contract terms and applicable laws and regulations; and (4) determine whether Abacus has taken corrective actions on prior audit report recommendations. To answer the audit objectives, Zeeshan Ali & Co. reviewed project documents and applicable policies and procedures; examined the cost

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. The mission however, asked the auditors in its contract to follow the Guidelines, and this contracted audit followed that Guidelines.

<sup>2</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.

representation statement and the related notes; tested controls over contractor's activities; tested compliance with contract terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered project revenues and costs of \$2,986,453 and \$2,986,453, respectively, from July 1, 2016, to September 30, 2017.

Zeeshan Ali & Co. concluded that the cost representation statement presented fairly, in all material respects, project revenues and costs incurred under the contract for the period audited. The audit firm did not identify any questioned costs, significant deficiencies or material weaknesses in internal control, or material instances of noncompliance.

The audit firm reported that Abacus (1) did not have a USAID-authorized provisional indirect cost rate in the contract, and (2) did not have a cost-sharing requirement. Furthermore, for the five prior audit findings, one finding had not been satisfactorily addressed and was again reported in the current period management letter. This finding was a management letter issue in the prior audit that we did not consider to be a significant item.

In accordance with the requirements for closeout audits in Section III.B.15 of the audit contract statement of work, the audit firm presented as an annex to the audit report an inventory of assets purchased with USAID funds. The audit firm reported that (1) assets costing PKR<sup>3</sup> 13,308,690 were either auctioned or scrapped and the related proceeds amounting to PKR 58,100 were deducted from the invoice billed to USAID and (2) all remaining assets after the auction were transferred to third parties (Khyber Pakhtunkhwa FATA Health Initiative Project and FATA Secretariat – Project Implementation Unit) with approval from USAID. The audit firm also reported that Abacus has no unliquidated advances nor costs pending reimbursements from USAID.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the controller dated March 26, 2019.

Given the above results of the review of the report, we are not making any recommendations. We appreciate the assistance extended during the engagement.

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>3</sup> PKR stands for Pakistani Rupee.

