



MEMORANDUM

DATE: July 14, 2021

TO: USAID/Pakistan Mission Director, Julie A. Koenen

FROM: USAID OIG Asia Regional Office USDH NFA Coordinator, James C. Charlifue /s/

SUBJECT: Closeout Audit of Mehran University of Engineering and Technology Jamshoro's Management of the Center for Advanced Studies in Water Program in Pakistan, Cooperative Agreement AID-391-A-15-00003, July 1, 2019, to March 11, 2020 (5-391-21-032-R)

This memorandum transmits the final closeout audit report on the Center for Advanced Studies in Water Program in Pakistan managed by the Mehran University of Engineering and Technology Jamshoro (MUET). MUET contracted with the independent certified public accounting firm of A.F. Ferguson & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not fully comply with the requirements on having a continuing professional education program and external quality reviews. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the recipient's fund accountability statement (FAS), 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 MUET's FAS for the period audited was presented fairly, in all material respects; (2) evaluate MUET's internal controls; (3) determine whether MUET complied with the agreement terms, and applicable laws and regulations; and (4) determine if MUET had taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the program's FAS

¹ 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.

and supporting documentation; obtained sufficient understanding of MUET's internal control systems and assessed control risks; tested compliance with agreement terms, applicable laws, and regulations; and assessed the status of the prior audit report. The audit covered program revenues and costs of \$1,078,277 and \$1,058,008 respectively, from July 1, 2019, to March 11, 2020.

The audit firm concluded that except for the effect of the questioned costs totaling \$9,944 (\$9,579 ineligible and \$365 unsupported), the FAS presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Pakistan determine the allowability of the \$9,944 in questioned costs and recover any amount determined to be unallowable.

The audit firm identified four material weakness in internal control and eight instances of material noncompliance. Since the award to MUET had ended and USAID/Pakistan does not have any existing or planned awards with MUET, we are not making any procedural recommendations. However, we suggest that the mission review and consider the findings in conjunction with any future award to the recipient. Finally, the audit firm reported that all prior year audit findings had been resolved, except for items noted.

There are several issues that the mission and the audit firm will need to address in future audit reports. We also have suggestions to the mission. We provided these issues and suggestions in a memorandum to the mission controller dated July 14, 2021.

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