



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: August 09, 2022

TO: USAID/Pakistan Mission Director, Reed Jay Aeschliman

FROM: USAID OIG Asia Regional Office USDH NFA Coordinator, Rhonda M. Horried /s/

SUBJECT: Financial Audit of the Municipal Services Program Implementation of Integrated MIS and GIS Enabled ERP Solution/Software for WSSP in Pakistan Managed by the Government of Khyber Pakhtunkhwa, Grant 391-GOKP-MSP-001-001-10, for the Fiscal Year that Ended June 30, 2021 (5-391-22-021-R)

This memorandum transmits the financial audit report on the Municipal Services Program Implementation of Integrated MIS and GIS Enabled ERP Solution/Software for WSSP (the program) in Pakistan, managed by the Government of Khyber Pakhtunkhwa (the recipient) under Grant 391-GOKP-MSP-001-001-10, for the fiscal year that ended June 30, 2021. The audit was conducted by the Auditor General of Pakistan (Auditor General). The Auditor General stated that it performed its audit in accordance with International Organization of Supreme Audit institutions' standards. The Auditor General is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the recipient's schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.¹

The main 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; and (3) determine whether the recipient complied with award terms and applicable laws and regulations. To answer the audit objectives, the Auditor General reported that it reviewed the project's revenues and expenditures, assessed relevant internal controls, and tested compliance with applicable requirements. The audit examined the project's revenues and costs of \$49,415 each for the audited period.

The Auditor General concluded that the project's schedule of expenditures of USAID awards presented fairly, in all material respects, revenues and costs incurred for the audited period. The

¹ We reviewed the audit 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.

Auditor General did not identify any material weaknesses in internal control, or instances material of noncompliance. The Auditor General issued a management letter to the recipient on other matters of internal control and immaterial instances of noncompliance.

In the management letter, the Auditor General identified four instances of noncompliance and reported associated questioned costs of \$54,000 in the schedule of questioned costs. We consider these costs ineligible questioned costs because they were not incurred in compliance with income tax ordinance and procurement contractual terms.

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

Recommendation I. Determine the allowability of \$54,000 in ineligible questioned costs detailed in the schedule of questioned costs and findings 4.2.1 and 4.3.3 on pages 12, 34, and 37 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”).