



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

MEMORANDUM

DATE: September 28, 2022

TO: USAID/Pakistan Mission Director, Reed Jay Aeschliman

FROM: USAID OIG Acting Asia Regional Office Audit Director, Esther Park /s/

SUBJECT: Financial Audit of Sindh Municipal Services Delivery Program in Pakistan Managed by the Government of Sindh Planning and Development Department, Grant 391-PEPA-DG-S-MSP-2011-01, July 1, 2019 to June 30, 2020 (5-391-22-032-R)

This memorandum transmits the financial audit report on the Sindh Municipal Services Delivery Program in Pakistan managed by the Government of Sindh Planning and Development Department (the recipient) for the period covering July 1, 2019, to June 30, 2020. The Auditor General of Pakistan (the Auditor General) conducted the audit. 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 audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the audited period was presented fairly, in all material respects; (2) evaluate the recipient's internal controls related to the Sindh Municipal Services Delivery Program; (3) determine whether the recipient complied with award terms and applicable laws and regulations, including cost-sharing contributions; and (4) determine if corrective actions had been taken on prior audit recommendations. To answer the audit objectives, the Auditor General conducted the audit that covered revenues and expenditures of \$1,688,347 and \$1,600,769, respectively, for the period audited.

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

¹ 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 working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

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

Regarding the review of cost-sharing contributions, the Auditor General did not provide a review report on the cost-sharing schedule but indicated in the cost-sharing schedule that the grantee contributed \$533,325² (Rs 74,884,600) for the period audited. The Auditor General did not report any questioned costs on the cost-sharing contributions. Finally, the Auditor General reported that 14 findings from the prior audit were still unresolved.

In the management letter, the Auditor General identified 14 findings, of which 12 involved monetary effects totaling \$1,239,859 (\$937,985 ineligible, \$301,874 unsupported). 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 summarized in Table I.

Table I: Questioned Costs by Audit Finding Number

No	Finding Description	Ineligible Costs		Unsupported Costs		Finding No	Page No
		Pakistan Rupees (Rs)	US Dollars (\$) ²	Pakistan Rupees (Rs)	US Dollars (\$) ²		
1	Payment for rehabilitation and extension of a water plant not supported by detailed measurements and drawings			Rs39,636,852	\$282,292	4.1.1	22
2	Sales taxes not deducted from payments to suppliers	Rs6,560,030 ³	\$46,720			4.2.2	23
3	Payment to a contractor in excess of the schedule rate	35,531,672 ³	253,055			4.2.3	24
4	Conveyance allowances paid to officers who were provided with government transport facilities and/or were on vacation	105,000	748			4.2.5	25
5	Repair expenditures of newly procured pumping sets that should have been replaced under warranty	6,722,510	47,877			4.3.1	26
6	Purchases of machinery, furniture, and other items not supported by required documents such as work			2,749,529 ³	19,582	4.3.2	26

² Translated to US Dollars using the average exchange rate of Rs 140.4109 for 1 US Dollar for expenditures incurred during the year, per Note 3 of the Schedule of Expenditures of USAID Awards on page 11 of the report.

³ The cost shown in the audit finding was erroneous. This table includes the correct cost based on the details in Annexures A, B, and C of the report.

No	Finding Description	Ineligible Costs		Unsupported Costs		Finding No	Page No
		Pakistan Rupees (Rs)	US Dollars (\$)²	Pakistan Rupees (Rs)	US Dollars (\$)²		
	order numbers, acknowledgment of delivery by a storekeeper, physical location, or utilization report						
7	Wheel borrows and syringe needle destroyers received but not issued and possibly misappropriated	3,192,000	22,733			4.3.3	27
8	Cost of extra work not approved appropriately	35,507,855	252,885			4.4.1	28
9	Expenditures for deformed steel reinforcement bars not tested according to standards	19,598,000	139,576			4.4.2	28
10	Software procured without required provisions	10,000,000	71,220			4.4.3	28
11	Utilization of steel below the standard quantity in the rehabilitation of an existing water treatment plant	9,155,982	65,208			4.4.4	29
12	Unauthorized work above the bill of quantities	5,330,400	37,963			4.4.5	30
	Subtotal	Rs131,703,449	\$937,985	Rs42,386,381	\$301,874		
Total Questioned Costs		\$1,239,859 (\$937,985 ineligible costs and \$301,874 unsupported costs)					

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

Recommendation I. Determine the allowability of \$1,239,859 in questioned costs (\$937,985 ineligible, \$301,874 unsupported) as detailed in findings 4.1.1, 4.2.2, 4.2.3, 4.2.5, 4.3.1 to 4.3.3, and 4.4.1 to 4.4.5 on pages 22-30 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 management decisions.

The 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”).