



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: July 26, 2023

TO: USAID/Pakistan, Acting Mission Director, Michael Rossman

FROM: USAID OIG Deputy Assistant Inspector General for Audit, Christine M. Byrne /s/

SUBJECT: Closeout Audit of Costs Incurred by Tetra Tech ES Inc. Under the Sustainable Energy for Pakistan Project, Contract AID-391-TO-16-00005, April 1, 2019, to August 31, 2021 (5-391-23-006-N)

This memorandum transmits the final audit report on costs incurred under the Sustainable Energy for Pakistan project managed by Tetra Tech ES Inc., (Tetra Tech) under contract AID-391-TO-16-00005, for the period from April 1, 2019 to August 31, 2021. USAID/Pakistan contracted with the independent audit firm Rifaqat Babar & Co. to conduct the audit. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards. However, the audit firm disclosed that it did not have a continuing professional education program that fully satisfies the standards' requirements or an external quality control review by an unaffiliated audit organization. The audit firm 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.¹

The audit objectives were to: (1) express an opinion on whether the schedule of expenditures of USAID awards managed by Tetra Tech for the period audited was presented fairly, in all material respects; (2) evaluate Tetra Tech's internal controls; and (3) determine whether Tetra Tech complied with award terms and applicable laws and regulations; and (4) determine whether Tetra Tech took adequate corrective actions on prior audit recommendations. The audit examined the project's costs of \$19,843,758, for the audited period.

The audit firm concluded that, except for the effect of the questioned costs of \$1,858,021 (\$10,013 ineligible and \$1,848,008 unsupported), the schedule of expenditures of USAID awards presented fairly, in all material respects, project revenues and costs incurred under the award for

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

the period audited. The audit firm did not identify any material weaknesses in internal control. However, the audit firm identified four instances of material noncompliance. The audit firm also identified six significant deficiencies in internal control. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID/Pakistan determine if Tetra Tech addressed the issues noted. The audit firm issued a management letter.

During our desk review, we noted areas for improvement which the audit firm should address in future audit reports, such as including personally identifiable information (PII). We presented them in a memo to the USAID/Pakistan's controller dated July 26, 2023.

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

Recommendation 1. Determine the allowability of \$1,858,021 in questioned costs (\$10,013 ineligible and \$1,848,008 unsupported) on pages 35 and 36 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Tetra Tech corrects the four instances of material noncompliance detailed on page 41 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decisions.

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.²

² 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.