



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

MEMORANDUM

DATE: September 18, 2023

TO: USAD/Pakistan Acting Mission Director, Michael Rossman

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

SUBJECT: Financial Audit of the Project Management & Engineering Services for FATA Infrastructure Program in Pakistan Managed by Planning and Development Department, Government of Khyber Pakhtunkhwa, Grant 135, PIL 391-013-32, Fiscal Year Ending June 30, 2022 (5-391-23-027-R)

This memorandum transmits the final audit report on the Project Management & Engineering Services for FATA Infrastructure Program in Pakistan, managed by the Planning and Development Department, Government of Khyber Pakhtunkhwa, Grant number 135, PIL number 391-013-32, for the fiscal year ending June 30, 2022. The audit was conducted by the Auditor General of Pakistan (Auditor General). The Auditor General stated it performed its audit in accordance with the 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 grantee's schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the awards, laws, and regulations.¹

The audit objectives were to: (1) express an opinion on whether the project's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate the project's internal controls; and (3) determine whether the project complied with award terms and applicable laws and regulations. To answer the audit objectives, the Auditor General performed the subject financial audit that covered costs of \$1,343,270 for the fiscal year ending June 30, 2022.

The Auditor General concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and audited costs incurred under the award during the audited period. The Auditor General did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. The Auditor General

¹ We reviewed the Auditor General'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.

reported that it did not receive final comments on the audit recommendations from the project’s management and could not assess the status of prior-year audit recommendations.

In the management letter, the Auditor General identified 13 audit findings that involve monetary effects totaling Rs. 656,861,900 (equivalent to \$4,311,815), which should have been identified as ineligible questioned costs in the project’s schedule of expenditures of USAID awards. Accordingly, we are making a recommendation for USAID/Pakistan to determine the allowability of and recover, as appropriate, these questioned costs. Part of the questioned costs pertain to costs that were incurred outside the audit period. The details of the findings and the associated questioned costs are disclosed in the below table.

Table 1. Summary of Questioned Costs (Ineligible)

No	Finding Description	Pakistan Rupees (Rs)	USD (\$)	Finding Reference	Page Number
1	Payment in excess of awarded amount	Rs. 611,877,980	\$4,016,529	4.1.3 to 4.1.11, 4.1.13, and 4.2.3*	19 to 25, 26 to 27, and 29-30
2	Failure to recover cost from imposing penalties due to late completion of schemes	43,113,950	283,011	4.1.12	26
3	Excess payment to consultant due to failure to deduct sales taxes	1,869,970	12,275	4.1.14	27
TOTAL QUESTIONED COSTS		Rs. 656,861,900	\$4,311,815		

*Questioned costs in findings 4.1.4 to 4.1.11, 4.1.13, and 4.2.3 are part of the whole questioned awarded amount in finding 4.1.3.

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

Recommendation 1. Determine the allowability of \$4,311,815 in ineligible questioned costs detailed on pages 19 to 27 and 29 to 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 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”). 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.