



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** September 25, 2023

**TO:** USAID/Pakistan Mission Director, Kate Somvongsiri

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

**SUBJECT:** Financial Audit of the Higher Education Commission, Merit and Need-Based Scholarship Program (Phase II) in Pakistan, Grant 391-G-00-04-0123-12, July 1, 2021, to June 30, 2022 (5-391-23-029-R)

This memorandum transmits the final audit report on the Higher Education Commission (HEC), Merit and Need-Based Scholarship Program (Phase II) in Pakistan, Grant 391-G-00-04-0123-12, from July 1, 2021, to June 30, 2022. The Auditor General of Pakistan (Auditor General) conducted the audit. The Auditor General stated it performed its audit in accordance with the international standards of supreme audit institutions issued by the International Organization of Supreme Audit Institutions. 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<sup>1</sup>; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

The audit objectives were to: (1) express an opinion on whether the grantee's schedule of expenditures for the period audited was presented fairly in all material respects; (2) evaluate the grantee's internal controls; and (3) determine whether the grantee complied with the grant terms and applicable laws and regulations. To answer the audit objectives, the Auditor General performed the subject financial audit that covered costs of \$1.433 million for the financial year 2021-2022.

The Auditor General concluded that the schedule of expenditures presented fairly, in all material respects, project revenues, costs incurred and reimbursed for the period audited. The Auditor General did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance.

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<sup>1</sup> The schedule of expenditures was named by the supreme audit institution as fund accountability statement.

<sup>2</sup> 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.

In its management letter, the Auditor General identified two audit findings involving monetary effects totaling \$823,000 (\$25,475 ineligible and \$797,525 unsupported) that should have been reported as questioned costs in the schedule of expenditures. Accordingly, we are making a recommendation to the mission to determine the allowability and recover as appropriate, these questioned costs. The details of the findings and the associated questioned costs are summarized in Table I below.

**Table I: Summary of Questioned Costs**

| Findings Description   | Ineligible Costs |                  | Unsupported Costs |         | Reference Finding & Page Nos. (Report Part II) |
|--|------------------|------------------|-------------------|---------|--|
|  | Pakistan Rupees  | USD <sup>3</sup> | Pakistan Rupees   | USD     |  |
| 1 Unjustified payment of students' stipends through the universities | -                | -                | 139,471,151       | 797,525 | 4.1.1 Page 15                                  |
| 2 Unauthorized payment of honorarium to project employees            | 4,455,000        | 25,475           | -                 | -       | 4.1.2 Page 15                                  |
| <b>TOTAL QUESTIONED COSTS</b>  | 4,455,000        | 25,475           | 139,471,151       | 797,525 |  |

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

**Recommendation I.** Determine the allowability of \$823,000 in questioned costs (\$25,475 ineligible and \$797,525 unsupported) as described in findings 4.1.1 and 4.1.2 on page 15 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.<sup>4</sup>

<sup>3</sup> Questioned costs in USD computed at 1 USD = Pakistani rupees 174.88 which represents the average exchange rate per reported total expenditures during the audited period.

<sup>4</sup> 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](mailto:oignotice_ndaa5274@usaid.gov).