



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

MEMORANDUM

DATE: December 27, 2023

TO: USAD/Pakistan, Mission Director, Kate Somvongsiri

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

SUBJECT: Financial Audit of the Community Mobilization for WASH Behavior Change Project, Managed by the Government of Khyber Pakhtunkhwa in Pakistan, Grant 59 PIL 391-DG/MSP/KP-RAA-001-17, Fiscal Year Ended June 30, 2022 (5-391-24-007-R)

This memorandum transmits the final audit report on the project “Community Mobilization for WASH Behavior Change in Khyber Pakhtunkhwa,” managed by the Local Government, Elections and Rural Development Department of the Government of Khyber Pakhtunkhwa (the awardee) in Pakistan under grant 59, project implementation letter 391-DG/MSP/KP-RAA-001-17, for the fiscal year ended 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 awardee’s schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.^{1, 2}

The 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 internal controls; and (3) determine whether the awardee complied with award terms and applicable laws and regulations. To answer the audit objectives, the Auditor General performed the subject financial audit and reported that it covered costs of \$117,474 for the fiscal year ending June 30, 2022.³

¹ The Auditor General referred to the schedule of expenditures as a fund accountability statement.

² 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.

³ During subsequent communications with USAID, it came to our attention that the awardee only incurred costs of \$38,150, equivalent to Pakistani Rupees (Rs.) 6,596,623, during the audit period. USAID reimbursed the awardee \$117,474, equivalent to Rs. 18,966,023, for costs that included those that the awardee incurred in the prior period.

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.

In the management letter, the Auditor General identified three audit findings, of which, one pertains to doubtful expenditures on community mobilization activities in the amount of Rs. 6,596,623 (equivalent to \$38,150) that we consider to be unsupported questioned costs.

During our desk review, we noted an area for improvement which the Auditor General should address in its future audit reports. We presented this deficiency in a memorandum to the Controller dated December 27, 2023.

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

Recommendation I. Determine the allowability of \$38,150 in unsupported questioned costs detailed on page 18 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".⁴

⁴ 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.