



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 20, 2024

TO: USAD/Pakistan, Mission Director, Kate Somvongsiri

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

SUBJECT: Financial Audit of the Khyber Pakhtunkhwa Reconstruction Program in Pakistan Managed by the Provincial Reconstruction Rehabilitation and Settlement Authority, Provincial Disaster Management Authority, Agreement 391-011, for the year ended June 30, 2022 (5-391-24-021-R)

This memorandum transmits the final audit report on the Khyber Pakhtunkhwa Reconstruction Program in Pakistan managed by the Provincial Reconstruction Rehabilitation and Settlement Authority, Provincial Disaster Management Authority, Government of Khyber Pakhtunkhwa (the recipient), for the 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 Financial Audit Manual of the Department of Auditor General of Pakistan which is in line 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;¹ the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were mainly 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 awardee's 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 said that it covered receipts and costs of \$3.307 million and \$2.795 million, respectively, for the year ended June 30, 2022.

The Auditor General concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and 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 eight audit findings that involve monetary

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.

effects totaling Rs. 212.917 million (equivalent to \$1.354 million), which should have been identified as ineligible questioned costs in the 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. 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	Pakistani Rupees (Rs.) in Millions	USD (\$) in Millions	Finding Reference	Page Number
1	Irregular purchase of medical equipment	5.094	0.0324	4.2.1	29
2	Other earnings not reported and not remitted to USAID	6.652	0.0423	4.3.1	31-32
3	Expenditures incurred using an expired procurement authority	44.060	0.2802	4.3.2	33
4	Non-retrieval of surplus funds from project implementing agencies	6.802	0.0433	4.3.3	33-34
5	Irregular release of funds for purchase of medical equipment	137.697	0.8757	4.3.4	34-35
6	Other earnings not remitted to USAID	1.471	0.0094	4.3.5	35-36
7	Non-imposing or recovering of penalties from defaulting contractors per contract terms	9.891	0.0629	4.4.1	36-37
8	Non-imposing or recovering of penalties from delayed suppliers per agreement	1.250	0.0079	4.4.2	37-38
TOTAL QUESTIONED COSTS		212.917	1.354		

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

Recommendation I. Determine the allowability of \$1.354 million in ineligible questioned costs detailed on pages 27 to 38 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").³

³ 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.