



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 29, 2024

TO: USAD/Pakistan, Mission Director, V. Kate Somvongsiri

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

SUBJECT: Financial Audit of Gomal Zam Dam Command Area Development Project in Pakistan, Managed by Agriculture, Livestock and Cooperatives Department, Government of Khyber Pakhtunkhwa, Grant 391-DOA-GZDCADP-001-001, July 1, 2021, to June 30, 2022 (5-391-24-025-R)

This memorandum transmits the final audit report on the Gomal Zam Dam Command Area Development project, managed by Agriculture, Livestock and Cooperatives Department in Khyber Pakhtunkhwa, Pakistan, Grant 391-DOA-GZDCADP-001-001 for 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;¹ the effectiveness of its internal control; or its compliance with the award, laws, and regulations.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 recipient's internal controls related to the project; and (3) determine whether the recipient complied with award terms and applicable laws and regulations, and (4) report on the status of prior year's recommendations. To answer the audit objectives, the Auditor General performed the subject financial audit that covered costs amounting to \$1,318,469 (Rs 218,533,255) 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 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.

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.

However, in its management letter, the Auditor General identified ten audit findings, five of which involve monetary effects totaling Rs 59,441,609 (equivalent to \$358,627), which should have been identified as 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.

Table I. Summary of Questioned Costs

	Finding Description	Ineligible Costs		Unsupported Costs		Reference Finding & Page Nos.
		Rs ³	\$	Rs	\$	
1	Loss due to undeposited proceeds from sale of bid documents			2,000,000	12,067	4.1.1 20
2	Unauthorized allowances due to non-observance of deputation policy and lack of approval of appropriate authority			2,860,000	17,255	4.1.5 22-23
3	Un-imposed penalties on contractors for prolonged delays which led to escalation of overall project expenses	10,213,609	61,621			4.1.6 23-24
4	Irregular execution and payment of watercourse construction works (i.e., earthen and lining) due to lack of cost analysis and approval from competent forum			31,703,000	191,273	4.1.8 25
5	Questionable payment to contractor because of conflicting assessments of work done. One reported shortcomings & defects while another indicated meeting design and specifications.	12,665,000	76,411			4.1.12 27-28
TOTAL		22,878,609	\$138,032	36,563,000	\$220,595	
TOTAL QUESTIONED COSTS		RS 59,441,609		\$358,627		

During our desk review, we noted areas for improvement which the Auditor General should address in its future audit reports. We presented these deficiencies in a memorandum to the Controller dated February 29, 2024.

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

Recommendation I. Determine the allowability of \$358,627 in questioned costs, (\$138,032 ineligible and \$220,595 unsupported), as detailed in Table I above and on pages 20 to 28 of the audit report and recover any amount that is unallowable.

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

³ Rs is the Pakistani Rupees symbol. For this document, all Pakistani Rupee figures have been converted at \$1=Rs165.7477 (Computed average exchange rate from the total disbursements presented in the schedule of expenditures).

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.