

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 24-23 Financial Audit**

Department of State's Children's Support  
Center Project in Afghanistan: Audit of Costs  
Incurred by Women for Afghan Women Inc.



MAY  
2024

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On January 31, 2021, the U.S. Department of State (State) awarded a 1-year, \$3,906,976 cooperative agreement to Women for Afghan Women Inc., (WAW) to support the Children's Support Center Project in Afghanistan. The purpose of the project was to provide care to children of incarcerated women in Afghanistan. State modified the agreement two times. The modifications increased the total funding to \$4,095,376 and extended the end of the period of performance from January 31, 2022, to December 31, 2022. State terminated the contract for convenience effective August 17, 2022.

SIGAR's financial audit, performed by KPMG LLP (KPMG), reviewed \$3,403,916 in costs charged to the agreement from February 1, 2021, through August 17, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in WAW's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether WAW has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of WAW's Special Purpose Financial Statement (SPFS). See KPMG's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein KPMG did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

May 2024

## Department of State's Children's Support Center Project in Afghanistan: Audit of Costs Incurred by Women for Afghan Women Inc.

SIGAR 24-23-FA

### WHAT SIGAR FOUND

KPMG identified one deficiency in WAW's internal controls and one instance of noncompliance with the terms of the agreement. Specifically, KPMG found instances in which the exchange rate used to convert costs, originating in afghanis, to U.S. dollars, was not in accordance with the Da Afghanistan Bank exchange rate, as required by WAW's policies and procedures. WAW was notified of the deficiency and compliance issue prior to publication of this report.

Because of the deficiency in internal controls and the instance of noncompliance, KPMG identified a total of \$614 in questioned costs, consisting entirely of ineligible costs—costs prohibited by the agreement and applicable laws and regulations. KPMG did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$614	\$0	\$614
<b>Total Costs</b>	<b>\$614</b>	<b>\$0</b>	<b>\$614</b>

KPMG identified one prior audit report that was relevant to WAW's agreement. The report had five findings and accompanying recommendations that could have a material effect on the SPFS. KPMG conducted follow-up procedures and concluded that WAW had taken adequate corrective action on four of the five findings.

KPMG issued an unmodified opinion on WAW's SPFS, noting it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

### WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at State:

- Determine the allowability of and recover, as appropriate, \$614 in questioned costs identified in the report.**
- Advise WAW to address the report's one internal control finding.**
- Advise WAW to address the report's one noncompliance finding.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

May 22, 2024

The Honorable Antony Blinken  
Secretary of State

We contracted with KPMG LLP (KPMG) to audit the costs incurred by Women for Afghan Women Inc. (WAW) under a cooperative agreement from the U.S. Department of State (State) to support the Children's Support Center Project in Afghanistan.<sup>1</sup> The purpose of the project was to provide care to children of incarcerated women in Afghanistan. KPMG reviewed \$3,403,916 in costs charged to the agreement from February 1, 2021, through August 17, 2022. Our contract with KPMG required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at State:

- 1. Determine the allowability of and recover, as appropriate, \$614 in questioned costs identified in the report.**
- 2. Advise WAW to address the report's one internal control finding.**
- 3. Advise WAW to address the report's one noncompliance finding.**

KPMG discusses the results of the audit in detail in the attached report. We reviewed KPMG's report and related documentation. We also inquired about KPMG's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on WAW's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. KPMG is responsible for the attached auditor's report, dated March 6, 2024, and the conclusions expressed therein. However, our review disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for completion for the recommendations to [sigar.pentagon.audits.mbx.recommendation-followup@mail.mil](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil), within 60 days from the issue date of this report.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-273)

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<sup>1</sup> The cooperative agreement number is SINLEC21CA3098.



**WOMEN FOR AFGHAN WOMEN, INC. (WAW)**

Financial Audit of Costs Incurred Under

Award No. SINLEC21CA3098

Awarded by the U.S. Department of State

Bureau of International Narcotics and Law Enforcement Affairs

For the period February 1, 2021 to August 17, 2022

## WOMEN FOR AFGHAN WOMEN, INC. (WAW)

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KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Transmittal Letter

March 6, 2024

Special Inspector General for Afghanistan Reconstruction (SIGAR)  
2350 Crystal Drive  
Arlington, VA 22202

KPMG LLP (we or our) hereby provides to you our final report, which reflects results from the procedures we completed during our audit of the Women for Afghan Women, Inc. (WAW) Special Purpose Financial Statement (SPFS) for costs incurred under Award No. SINLEEC21CA3098 (Award, or cooperative agreement) awarded by the Department of State Bureau of International Narcotics and Law Enforcement Affairs (State) for the period February 1, 2021, to August 17, 2022, in support of Children's Support Center Project in Afghanistan.

On November 12, 2023, we provided SIGAR with a draft report reflecting our audit procedures and results. WAW received a copy of the report on February 7, 2024 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with other written and oral feedback provided by SIGAR and WAW. WAW's written responses and our corresponding auditor responses are incorporated as appendices.

Thank you for providing us the opportunity to work with you and to conduct the audit.

Sincerely,

**KPMG LLP**

**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
Award No. SINLEC21CA3098  
Awarded by the U.S. Department of State  
in support of “Children’s Support Center Project in Afghanistan”

**Background**

On January 31, 2021, the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs (State) awarded Women for Afghan Women Inc. (WAW) a 1-year, \$3,906,976 cooperative agreement in support of the Children’s Support Center Project in Afghanistan. The agreement’s initial period of performance was February 1, 2021, through January 31, 2022, and it provided funds for WAW to provide children of incarcerated women in Afghanistan with alternative care. The agreement was modified on June 20, 2021, which increased the award amount to \$4,095,376. The agreement was modified a second time on February 3, 2022, extending the period of performance to December 31, 2022. On July 18, 2022, State terminated the cooperative agreement for the convenience of the government effective August 17, 2022. WAW was instructed to stop all work on the program and not incur any new obligations under the agreement.

**Summary of Award**

Award No.	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Budget (\$)	Start	End	No. of Modifications	Final Approved Budget (\$)	End
SINLEC21CA3098	\$3,906,976	2/01/2021	1/31/2022	2	\$4,095,376	8/17/2022

Founded in 2001, WAW is a non-profit organization that focuses on protecting and promoting the rights of disenfranchised Afghan women and children in Afghanistan and supporting Afghan women and girls in Queens, New York and Alexandria, Virginia.

**Work Performed**

KPMG LLP (KPMG) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of the cooperative agreement, as mentioned above, of WAW’s Special Purpose Financial Statement (SPFS) for revenue earned and costs incurred under the Project totaling \$3,403,916 for the period February 1, 2021 to August 17, 2022.

**Objectives, Scope, and Methodology**

**Audit Objectives Defined by SIGAR**

The following objectives were defined by SIGAR within the Statement of Work for Financial Audits of Costs Incurred by Organizations Contracted by the U.S. Government for Reconstruction Activities in Afghanistan:

- *Internal Controls* – Evaluate and obtain a sufficient understanding of WAW’s internal controls related to the award, assess control risk, and identify and report on significant deficiencies and material internal control weaknesses.

## **WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
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- *SPFS* – Express an opinion on whether WAW’s SPFS for the award presents fairly, in all material respects, revenues earned, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.
- *Compliance* – Perform tests to determine whether WAW complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether WAW has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

### **Scope**

The scope of this close-out audit includes all revenues earned and costs incurred during the period February 1, 2021, through August 17, 2022, related to Award No. SINLEC21CA3098, with a total incurred cost of \$3,403,916.

### **Methodology**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Entrance Conference**

An entrance conference was held on April 27, 2023, with representatives of WAW, KPMG, SIGAR, and State participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, and to establish key contacts, responsibilities, and communication protocols. We also discussed the timeframe for the completion of the audit.

### **Planning**

During the planning phase, we performed the following:

- Obtained an understanding of WAW’s organizational structure, entity-level controls, and internal controls related to the award;
- Reviewed the cooperative agreement and subsequent modifications, including approved direct labor rates;
- Reviewed Department of State and other regulations that are applicable to the cooperative agreement;
- Performed inquiries of those charged with governance, management, and others regarding risks of material misstatement;
- Reviewed previously WAW audited annual financial statements;



## **WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
Award No. SINLEC21CA3098  
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in support of “Children’s Support Center Project in Afghanistan”

- Reviewed previous audit reports, other internal audit reports, and consultant reports related to our audit objectives;
- Reviewed close-out requirements and evidence supporting close-out procedures performed; and
- Selected samples based on our sampling techniques and in accordance with our approved audit plan.

### Internal Controls Related to the Cooperative Agreement

We obtained an understanding of WAW’s system of internal control related to the cooperative agreement to understand the entity and its environment, identify and assess the risks of material misstatement of the SPFS, and assist in designing the nature, timing, and extent of further audit procedures. Our procedures included inquiries with management and control operators, inspection of policies and procedures defining the controls, and inspection of evidence of control performance in accordance with defined policies and procedures.

### Special Purpose Financial Statements

We reconciled the revenues earned and costs incurred on the SPFS to the cooperative agreement and underlying accounting information. We selected transactions from the transactional detail and performed procedures to determine whether the transactions were accurately recorded, consistent with the cooperative agreement requirements, allocable to the cooperative agreement, and incurred during the period of performance covered by the cooperative agreement. We also evaluated whether the SPFS included all informative disclosures necessary for the fair presentation of the SPFS.

### Compliance with the Cooperative Agreement Requirements and Applicable Laws and Regulations

We obtained an understanding of relevant provisions of the cooperative agreement, laws, and regulations, noncompliance with which could have a direct and material effect on the SPFS. We performed tests to identify instances of noncompliance with these relevant provisions of the cooperative agreement, laws, and regulations that may have a material effect on the SPFS. These tests included procedures to determine whether costs were reasonable, allocable, and allowable under the terms of the cooperative agreement.

### Corrective Action on Prior Findings and Recommendations

We considered prior WAW audit report findings that could have a significant effect on the SPFS or other financial data significant to the audit objectives, which included discussing the report and findings with management, reviewing evidence of revised policies and procedures, and other applicable recommended corrective actions contained within the report. We used this information to assess risk and determine the nature, timing, and extent of our audit procedures, including determining the extent to which testing the implementation of the corrective actions was applicable to the audit objectives.

### Exit Conference

An exit conference was held on October 5, 2023 via conference call. Participants included representatives from KPMG, WAW, SIGAR, and State. During the exit conference, we discussed the preliminary results of the audit and reporting process.

## **WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
Award No. SINLEC21CA3098  
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### **Summary of Results**

We summarized our results below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit’s results in their entirety.

#### Auditor’s Opinion on the SPFS

We issued an unmodified opinion on that the SPFS presents fairly in all material respects, the revenues, costs incurred and outstanding fund balance.

We identified \$614 in total questioned costs, comprised entirely of ineligible costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the cooperative agreement provisions or applicable laws and regulations, or are not related to the cooperative agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. We additionally identified one observation in which timesheets could not be produced by the WAW due to the termination of the cooperative agreement effective August 17, 2022. WAW was instructed by the Department of State to stop all work on the program and not incur any new obligations under agreement. These instructions also included the destruction of supporting documentation containing confidential and protected personal information. In order to substantiate the personnel costs charged to the government for the missing timesheets, WAW provided additional supporting documentation that included employee contracts, program site schedules, and monthly master payroll sheets. Please see Observation 2023-02 in the Schedule of Findings, Observations, and Questioned Costs and the table below for additional information.

#### Internal Control Findings

We reported on WAW’s internal controls over financial reporting relevant to the SPFS. We identified one internal control finding that was determined to be a control deficiency. However, this deficiency was not considered to be either material weakness or significant deficiency in WAW’s internal controls. In performing our testing, we considered whether the information obtained resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. The results of our tests disclosed no instances or other matters that are required to be reported under *Government Auditing Standards*. See Independent Auditors’ Report on Internal Control on page 13.

As the internal control deficiency identified was not a material weakness or significant deficiency, it is not reported in the Independent Auditor’s Report on Internal Controls under *Government Auditing Standards*. However, this deficiency is included as Finding 2023-01 in the Schedule of Findings, Observations, and Questioned Costs and the table below.

#### Compliance Findings

We reported on WAW’s compliance with laws, regulations, and the cooperative agreement relevant to the SPFS. We did not identify instances of noncompliance with relevant provisions of the cooperative agreement subject to reporting under *Government Auditing Standards* in the Independent Auditors’ Report on Compliance and Other Matters on page 15.

**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
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We did identify one instance of noncompliance with relevant provisions of the cooperative agreement and applicable laws and regulations that have a less than material effect on the SPFS. A material effect would indicate that WAW did not present fairly, in all material respects, the revenues and costs incurred for the cooperative agreement during the performance period in accordance with the relevant provisions of the cooperative agreement. Because this instance did not have a material effect on the SPFS, it is not reported in the Independent Auditors’ Report on Compliance and Other Matters under *Government Auditing Standards*. However, this instance of noncompliance is included as Finding 2023-01 in the Schedule of Findings, Observations, and Questioned Costs and the table below.

Finding or Observation Number	Finding Name	Classification	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2023-01	Ineffective Controls Over Conversion Rates	Non- compliance and Internal Control – Deficiency	\$614	\$0	\$614
2023-02	Inability to Provide Certain Payroll Supporting Documents	Other Observation	\$0	\$0	\$0
<b>Total Questioned Costs</b>			<b>\$614</b>	<b>\$0</b>	<b>\$614</b>

Review of Prior Findings and Recommendations

We inquired of WAW, State, and SIGAR personnel regarding whether there were reports from previous engagements. We noted one prior audit report that contained five findings and recommendations that could have a significant effect on the SPFS or other financial data significant to the audit objectives. Based on the results of our audit procedures, we determined WAW did not take adequate corrective action on one of the previous findings and was therefore repeated under this audit. The remaining four findings are closed. See Status of Prior Audit Findings on page 19 for a detailed description of the prior findings and recommendations.

Auditee Response

WAW agreed with the internal control deficiency identified, and will return the resulting ineligible cost to the Department of State. See Appendix A for auditee response.



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Auditors' Report

Women for Afghan Women, Inc.  
15-824 73rd Avenue  
Fresh Meadows, New York 11366

Office of the Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

### Report on the Audit of the Special Purpose Financial Statement

#### *Opinion*

We have audited the Special Purpose Financial Statement – contractual basis of Women for Afghan Women, Inc. (WAW) for the period February 1, 2021 to August 17, 2022 and the related notes to the Statement (the Statement) with respect to Award No. SINLEC21CA3098 for the Department of State's Children's Support Center Project in Afghanistan.

In our opinion, the accompanying Statement referred to above presents fairly, in all material respects, the revenues, costs incurred, and outstanding fund balance for WAW for the cooperative agreement for the period February 1, 2021 to August 17, 2022, in accordance with the relevant provisions of the cooperative agreement.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of the WAW, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter — Basis of Presentation*

We draw attention to Note 2 to the Statement, which describes the basis of accounting. The Statement is prepared by WAW on the basis of the terms of the cooperative agreement referred to above, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the relevant provisions of the cooperative agreement referred to above. As a result, the Statement may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Special Purpose Financial Statement*

Management is responsible for the preparation and fair presentation of the Statement in accordance with the provisions of the cooperative agreement and requirements provided by SIGAR. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.



### *Auditors' Responsibilities for the Audit of the Special Purpose Financial Statement*

Our objectives are to obtain reasonable assurance about whether the Statement is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WAW's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### *Restriction on Use*

Our report is intended solely for the information of WAW, the Department of State, and the SIGAR, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 6, 2024 on our consideration of WAW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WAW's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WAW's internal control over financial reporting and compliance.

**KPMG LLP**

Washington, DC  
March 6, 2024

**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
Award No. SINLEC21CA3098  
Awarded by the U.S. Department of State  
in support of “Children’s Support Center Project in Afghanistan”

**Special Purpose Financial Statement<sup>1</sup>**

For the Period February 1, 2021 to August 17,2022

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
<b>Revenues</b>						
Cooperative Agreement	\$4,095,376	\$3,403,916	\$ _____ -	\$ _____ -	\$ _____ -	(3)
<b>Total revenues</b>	<u>4,095,376</u>	<u>3,403,916</u>	<u>_____ -</u>	<u>_____ -</u>	<u>_____ -</u>	
<b>Costs Incurred:</b>						(4)
Personnel	2,349,731	1,944,108	-	-	-	(B)
Fringe benefits	173,576	142,647	(33)	-	(33)	(A)
Travel and Transportation	99,340	88,782	-	-	-	
Equipment	248,871	248,871	148	-	148	(A)
Supplies	256,716	215,428	499	-	499	(A)
Other direct costs	967,142	764,080		-		(A)
<b>Total costs incurred</b>	<u>\$4,095,376</u>	<u>\$3,403,916</u>	<u>\$ 614</u>	<u>\$ _____ -</u>	<u>\$ 614</u>	
<b>Outstanding Fund Balance</b>	<u>\$ _____ -</u>	<u>\$ _____ -</u>				

The accompanying notes are an integral part of the Special Purpose Financial Statement.

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<sup>1</sup> See Notes to the Special Purpose Financial Statement and Notes to Questioned Costs Presented on the Special Purpose Financial Statement. The Questioned Costs Presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes and as such are not part of the audited Special Purpose Financial Statement.

**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
Award No. SINLEC21CA3098  
Awarded by the U.S. Department of State  
in support of “Children’s Support Center Project in Afghanistan”

**Notes to Special Purpose Financial Statement<sup>2</sup>**

**(1) Status and Operation**

Women for Afghan Women – Afghanistan (WAW Afghanistan) was registered as a non-governmental organization (a not-for-profit entity) with the Ministry of Economy in Afghanistan in September 2006. The primary purpose of WAW Afghanistan is to secure and protect the rights of deprived Afghan women and girls through the operation of legal centers and emergency and long-term care shelters for women and children in 4 provinces as of 17 August 2022. WAW Afghanistan has a main office in Queens, New York.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The Special Purpose Financial Statement (Statement) has been prepared to recognize revenues earned and costs incurred in accordance with the cost principles of Title 2, Part 200 and 600 of the Code of Federal Regulations on the basis of the terms of the cooperative agreement wherein certain types of expenses are not allowable and are limited as to reimbursement with the terms of Cooperative Agreement No. SINLEC21CA3098 (Agreement).

**(b) Basis of Presentation**

Because the Statement presents only a selected portion of the operations of WAW, it is not intended to and does not present the Consolidated Statements of Financial Position, Activities, Functional Expenses, or Cash Flows of Women for Afghan Women. The information in the Statement is presented in accordance with the requirements of the aforementioned Agreement as specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR).

**(c) Foreign Currency Conversion Method**

The operational currency in Afghanistan is the Afghani. Presentation currency for the Statement is the U.S. Dollar. Currency translations have been done on a monthly basis as per the Afghanistan Central Bank previous month’s average exchange rate.

- Revenues – recorded in U.S. Dollars
- U.S. costs incurred – recorded in U.S. Dollars
- Afghanistan costs incurred – recorded in U.S. Dollars. If transactions are incurred in Afghani they are translated to U.S. Dollars for presentation in the Statement.

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<sup>2</sup>The Notes to the Special Purpose Financial Statement are the responsibility of WAW.

**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
Award No. SINLEC21CA3098

Awarded by the U.S. Department of State  
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**Notes to Special Purpose Financial Statement**

**(3) Revenues**

Revenues on the Statement represent the amount of funds which WAW has earned from the United States Department of State ("USDOS") for allowable, eligible costs incurred under the Agreement during the period of performance. Revenues are recognized when earned and properly invoiced to the Department of State. WAW reported revenues earned of \$3,403,916 associated with the Agreement for the period February 1, 2021 to August 17, 2022.

**(4) Major Cost Categories**

Below are the major categories of costs expended under the contract that are included within the budget lines on the Statement.

**(a) Personnel**

Personnel costs include all payroll for project personnel in the field, percentage charges of WAW Kabul HQ staff payroll, and International Personnel payroll charges.

**(b) Fringe Benefits**

Covers health insurance cost of international staff; Federal Insurance Contributions Act, State Unemployment Insurance, Workers Comp and Disability Insurance for International Staff. Also, covers the fixed payment of \$25/employee per month for National Staff in Afghanistan. The current fringe benefit accounting is based on gross pay for all national staff.

**(c) Travel and Transportation**

Covers cost of local travels, vehicles fuel and repair maintenance, taxi within the province, airfare from Kabul to Province and vice versa; includes international air ticket cost of staff travelling from New York to Kabul, and other destination for the purposes of advancing WAW's mission and achieving the overall goal of the organization.

**(d) Equipment and Supplies**

Equipment costs includes the procurement of asset items such as furniture, vehicles, computers, printers, copiers, cameras, TVs, power generators, and other electronic equipment. Supplies include stationery, cleaning supplies, other supplies, food and refreshment for Kabul HQ, communication cost, bank charges, and bedding cost.

**(e) Other Direct Costs**

Other direct costs include: office rent, utilities, food and refreshment for clients, meetings and Awareness Sessions, repair and maintenance cost of building and assets, security, medical, hygiene, clothing for clients, other occupancies and program specific expenses.



**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
Award No. SINLEC21CA3098

Awarded by the U.S. Department of State  
in support of “Children’s Support Center Project in Afghanistan”

**Notes to Questioned Costs Presented on the Consolidated  
Special Purpose Financial Statement<sup>3</sup>**

**(A) Foreign Currency Translations**

During our audit, we noted the incorrect exchange rate was used for six transactions converting amounts in Afghanis to U.S. Dollars. The six transactions were comprised of two fringe benefits transactions for \$(33), two equipment transactions for \$148, one supplies transaction for \$499 and one for other direct costs transaction for \$0.22. This resulted in ineligible costs of \$614. Due to rounding in the SPFS, the ineligible cost relating to other direct costs was not presented. See Finding No. 2023-01 in Schedule of Findings, Observations, and Questioned Costs section of this report.

**(B) Personnel Costs**

WAW reported a total of \$1,944,108 for personnel costs incurred related to the cooperative agreement for the period of February 1, 2021 through August 17, 2022. During our audit of these costs, we noted timesheets were not available for certain employees. See Observation No. 2023-02 in the Schedule of Findings, Observations, and Questioned Costs section of this report.

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<sup>3</sup>The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

**Independent Auditors' Report on Internal Control Over Financial Reporting Based on an Audit of a Special Purpose Financial Statement Performed in Accordance With *Government Auditing Standards***

Women for Afghan Women, Inc.  
15-824 73rd Avenue  
Fresh Meadows, New York 11366

To the Office of the Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement – contractual basis of Women for Afghan Women (WAW) for the period February 1, 2021 to August 17, 2022, and the related notes to the Statement (the Statement), with respect to Cooperative Agreement No. SINLEC21CA3098 for the Department of State's project "Children's Support Center Project in Afghanistan". We have issued our report thereon dated March 6, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the Statement, we considered WAW's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the WAW's internal control. Accordingly, we do not express an opinion on the effectiveness of WAW's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of WAW's Statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of WAW's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WAW's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC  
March 6, 2024



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

**Independent Auditors' Report on Compliance and Other Matters  
Based on an Audit of a Special Purpose Financial Statement Performed in  
Accordance With *Government Auditing Standards***

Women for Afghan Women, Inc. (WAW)  
158-24 73rd Avenue  
Fresh Meadows, New York 11366

To the Office of the Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement – contractual basis of Women for Afghan Women (WAW) for the period February 1, 2021 to August 17, 2022, and the related notes to the Statement (the Statement) with respect to Cooperative Agreement No. SINLEC21CA3098 for the Department of State's project "Children's Support Center Project in Afghanistan". We have issued our report thereon dated March 6, 2024.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WAW's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Statement.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on WAW's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WAW's compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Washington, DC  
March 6, 2024

**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
Award No. SINLEC21CA3098

Awarded by the U.S. Department of State  
in support of “Children’s Support Center Project in Afghanistan”

**Schedule of Findings, Observations, and Questioned Costs,  
Management Responses, and Auditor’s Rebuttals**

**Finding 2023-01: Ineffective Controls Over Conversion Rates**

**Nature of Finding:** Non-Compliance; Internal control – Control Deficiency

**Condition:**

WAW controls over the conversion of certain costs from Afghanis to U.S. Dollars did not operate effectively. As a result, during our testing over exchange rates for 35 transactions, we identified 7 instances where the exchange rate WAW used to convert costs originating in Afghanis to U.S. Dollars, was not in accordance with the Da Afghanistan Bank exchange rate required by WAW’s policies and procedures. Specifically, we identified:

- Two transactions in the Fringe Benefits category representing ineligible costs of (\$33) out of a total \$142,647 in this category;
- Two transactions in the Equipment category, representing ineligible costs \$148 out of a total \$248,871 in this category;
- Two transactions in the Supplies category representing ineligible costs of \$499 out of a total \$215,428 in this category;
- One transaction in the Other Direct Costs category, representing ineligible costs \$0.22 out of a total \$746,080 in this category.

**Criteria:**

2 CFR 200.303, Internal Controls, states in part:

“The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

2 CFR 200.403, Factors affecting allowability of costs, states in part:

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards... (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items...”

2 CFR 200.404, Reasonable Costs, states in part:

“...In determining reasonableness of a given cost, consideration must be given to...

(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award’s cost.”

Women for Afghan Women Financial Management Manual Section 6.8 Currency Conversion states:

“Finance department should always keep a monthly Da Afghanistan Bank exchange rate report on file. Any currency conversions should not deviate from the official DAB exchange rates. If the commercial bank’s exchange rate is any different, finance manager should make note and report it.”

**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
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**Schedule of Findings, Observations, and Questioned Costs,  
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**Cause:** Management did not identify risks related to the exchange rate used. Specifically, management did not validate that the finance department had utilized the appropriate Da Afghanistan Bank exchange report when converting Afghanis to U.S. Dollars prior to submission of charges costs as required by WAW policy.

**Effect:** Ineffective controls to validate that proper conversion rates are used to convert from Afghani to U.S. Dollar increases the risk of WAW billing State for ineligible costs and that costs are potentially misstated in the Special Purpose Financial Statement.

**Questioned Costs:** The deficiency resulted in net ineligible costs of \$614.

**Recommendation:**

- (1) We recommend that WAW provide supporting documentation to demonstrate that \$614 incurred costs claimed were correctly billed to the cooperative agreement or return the ineligible amount to the Department of State.
- (2) We recommend WAW implement corrective actions to ensure all transactions originating in Afghanis are properly converted to U.S. Dollars using the appropriate monthly exchange rate per Da Afghanistan Bank in accordance with established policies.

**Observation 2023-02: Inability to Provide Certain Payroll Supporting Documentation**

**Nature of Finding:** Other Observation

**Condition:** Management did not retain timesheets to support its payroll as required by the WAW financial manual. We tested monthly payroll transactions for 115 personnel, representing \$35,132 out of a total \$1,944,108 for the cost category. During our testing we noted that WAW was unable to provide timesheets for 37 personnel in Afghanistan. WAW provided alternative documentation to support the costs incurred.

**Criteria:**

2 CFR 200.303, Internal Controls, states in part:

"The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."

Women for Afghan Women Financial Management Manual states in part:

"For payroll, all staff names should correspond to the Master Payroll and the HRMIS records. HR Department must sign off on the payroll sheet to verify that all employees listed have valid contracts of employment and that each listed employee have signed a time sheet/ attendance form."

**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
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**Schedule of Findings, Observations, and Questioned Costs,  
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**Cause:** Due to the fall of the government in Afghanistan, the Department of State approved an Emergency Evacuation Plan for WAW that included steps to destroy records containing highly sensitive personal information of staff and clients. WAW constructed a plan to begin digitizing records, including approved timesheets; however, due to the increasing presence of external threats they were unable to digitize all records. As such, WAW destroyed the physical copies of documents, including timesheets that supported personnel costs that were not digitized.

## **WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
Award No. SINLEC21CA3098  
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in support of "Children's Support Center Project in Afghanistan"

### **Status of Prior Audit Findings**

We inquired from WAW, SIGAR, and State personnel regarding reports related to previous engagements that directly related to the objectives of the audit. Based on the results of these inquiries, we noted one prior audit report, Financial Audit 16-4, that contained five findings and recommendations that could have a significant effect on the Special Purpose Financial Statement and other financial data significant to the audit objectives. We conducted follow up procedures to assess risk and the nature, timing, and extent of audit procedures. Based on the results of such procedures, we determined that WAW did not take corrective action on one of the previous findings and therefore was repeated under this audit. The remaining four findings are closed. Corrective actions and the status of the findings are summarized below:

**Audit Report: SIGAR 16-4 Financial Audit. "Department of State's Promotion and Protection of Afghan Women's Rights in Afghanistan Program: Audit of Costs Incurred by Women for Afghan Women for the Period of March 5, 2011 – June 3, 2014, which was conducted by Davis and Associates Certified Public Accountants, PPLC, and issued on September 29, 2015**

- **Finding No. WAW 1: Improper Currency Exchange Rates** – The audit firm identified a circumstance in which ineligible costs were charged to the Task Order, which included:
  - (a) WAW failed to properly calculate conversion rates and ensure that the rates were applied to its accounting system. This resulted in \$204,844 of ineligible costs.

#### **Status**

WAW updated their policies and procedures to ensure that the exchange rates utilized are accurate and relevant to the period. Additionally, they added controls to ensure the rates are updated monthly. We obtained and inspected WAW's Finance Manual and noted there is a designed and implemented currency conversion control. Specifically, they have designed and implemented a control that updates the monthly exchange rate based on Da Afghanistan Bank published rates. During our testwork we noted instances where the incorrect currency exchange rate was used. As such WAW did not implement corrective actions. See Finding 2023-01 of this report.

- **Finding No. WAW 2: New York Office Costs Charged Without Supporting Documentation**

- (b) The Auditee did not maintain proper supporting documentation for all costs incurred in Afghanistan and the U.S. This resulted in \$126,219 in unsupported costs.

#### **Status**

WAW updated their policies and procedures to ensure that they consistently comply with federal regulations related to cost principles and ensure all costs billed to the U.S. Government are adequately supported by documentation. During our testwork, we did not identify instances where WAW could not provide supporting documentation except for the approved destruction of records authorized by the Department of State.



**WOMEN FOR AFGHAN WOMEN, INC.**

Financial Audit of Costs Incurred Under  
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**Status of Prior Audit Findings**

- **Finding No. WAW 3: Payment of Fines in Tax Penalties** – The audit firm identified instances in which ineligible costs were charged to the Task Order, which included:

WAW made a payment of back taxes related to its Executive Director salary owed to the Afghan government. In addition, WAW incurred costs in paying late fees as penalties related to rental property tax and salary withholding that were not paid to the Afghan Government on time. This resulted in a total of \$30,542 questioned costs.

**Status**

We reviewed WAW’s financial manual and noted that updates had been made to the payroll process to address the deficiency. We obtained and inspected WAW’s full journal entry population for Award No. SINLEC21CA3098. During our testwork over the costs incurred under Award No. SINLEC21CA3098 we did not note any costs charged to the U.S. Government.

- **Finding No. WAW 4: Purchase of Materials from Restricted Source; Cost Incurred in Excess of Established Rates and Costs Incurred Outside Period of Performance** – The audit firm identified three circumstances in which ineligible costs were charged to the Task Order, which included:
  - (a) Six instances in WAW purchasing Iranian materials totaling and billed the cost to the project reimbursed by DoS
  - (b) One instance in excess per diem for two employees
  - (c) One instance of an airfare purchase for the Executive Director after the project end date.

**Status**

We reviewed WAW’s financial manual and noted that updates had been made to the procurement process to address the deficiency. During our testwork over the costs incurred under Award No. SINLEC21CA3098 we did not note any costs sourced from prohibited or sanctioned sources or outside of the period of performance.

- **Finding No. WAW 5: Lack of Competitive Procurement Bids for Rental Office Building** – The audit firm identified three circumstances in which ineligible costs were charged to the Task Order, which included:
  - (a) One instance where WAW did not obtain three competitive quotes to exercise a free and open competition nor did it provide a sole source justification memo for the procurement of rental office buildings

**Status**

We obtained and inspected WAW’s Procurement Manual and noted they have included policies and procedures for ensuring a competitive bid analysis is performed when procuring goods. During our testwork over the costs incurred under Award No. SINLEC21CA3098 we noted WAW provided supporting documentation that indicated the existence of competitive bidding for goods. We noted no instances of noncompliance.

## APPENDIX A: WAW'S RESPONSES TO AUDIT FINDINGS

Below is WAW's response to the finding identified in this report.

### **Finding 2023-01: Ineffective Controls Over Conversion Rates**

**Response:** We will return the ineligible amount of \$614 to the Department of State. Also, the Finance Manager will validate on a monthly basis that the conversion has been done as per the WAW policy.

## APPENDIX B: AUDITOR'S REBUTTAL TO WAW'S RESPONSES TO AUDIT FINDINGS

### **Finding 2023-01: Ineffective Controls Over Conversion Rates**

**Nature of Finding:** Non-Compliance; Internal control – Control Deficiency

**Response:** We noted WAW concurred on Finding 2023-01.

## SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site ([www.sigar.mil](http://www.sigar.mil)). SIGAR posts all publicly released reports, testimonies, and correspondence on its Web site.

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To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
- Email: [sigar.pentagon.inv.mbx.hotline@mail.mil](mailto:sigar.pentagon.inv.mbx.hotline@mail.mil)
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## SIGAR's Mission

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