

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 22-16 Financial Audit

USAID's Integrated Emergency Response for Drought and Conflict-Affected Communities in Afghanistan: Audit of Costs Incurred by [REDACTED]

In accordance with legal requirements, SIGAR has redacted certain information deemed proprietary or otherwise sensitive from this report.



MARCH
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

Effective August 16, 2019, the U.S. Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau, and its Office of U.S. Foreign Disaster Assistance (USAID) awarded a \$5,000,000 grant to [REDACTED] to support an integrated emergency response for drought and conflict-affected communities in Afghanistan. [REDACTED] is a [REDACTED] non-governmental organization. It provides such services as nutrition, health, shelter, and infrastructure support to people in some of the world's most remote and devastated places.

The grant included a pre-award period from July 1, 2019, through August 16, 2019, with allowable pre-award costs approved under the grant agreement. The program's mission was to [REDACTED]

[REDACTED] The grant had an initial period of performance from July 1, 2019, through December 31, 2020. Three modifications to the agreement increased the funding amount to \$9,300,000 and extended the period of performance end date to January 31, 2022.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$6,280,124 in costs charged to the agreement from July 1, 2019, through December 31, 2020. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in [REDACTED] internal controls related to the grant agreement; (2) identify and report on instances of material noncompliance with the terms of the grant agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether [REDACTED] has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of [REDACTED] Special Purpose Financial Statement (SPFS). See Conrad'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 Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

March 2022

USAID's Integrated Emergency Response for Drought and Conflict-Affected Communities in Afghanistan: Audit of Costs Incurred by [REDACTED]

SIGAR 22-16-FA

WHAT SIGAR FOUND

Conrad identified three significant deficiencies in [REDACTED] internal controls and three instances of noncompliance with the terms of the grant. For example, Conrad questioned \$114,712 in indirect costs charged to USAID because [REDACTED] did not adjust the provisional indirect cost rate to reflect the updated approved rate in a subsequent agreement. Conrad also found that [REDACTED] charged late fines for visa processing, salary overpayments, and safety compensation payments totaling \$4,605 in ineligible personnel costs.

Conrad identified \$119,419 in total questioned costs, consisting entirely of ineligible costs—costs prohibited by the agreement and applicable laws and regulations. Conrad 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
Personnel	\$4,605	\$0	\$4,605
Other Direct Costs	\$102	\$0	\$102
Indirect Costs	\$114,712	\$0	\$114,712
Total Costs	\$119,419	\$0	\$119,419

Conrad identified six prior audit reports that were relevant to [REDACTED] agreement. The reports had eleven findings that could have a material effect on the SPFS. Conrad conducted follow-up procedures and concluded that [REDACTED] took adequate corrective action on eight of the findings. Conrad found that [REDACTED] had not taken adequate corrective action with regard to utilizing the correct Negotiated Indirect Cost Rate Agreement rate and charging excess personnel costs to the program.

Conrad issued an unmodified opinion on [REDACTED] 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 USAID:

1. Determine the allowability of and recover, as appropriate, \$119,419 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's three internal control findings.
3. Advise [REDACTED] to address the report's three noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

March 30, 2022

The Honorable Samantha Power
Administrator, U.S. Agency for International Development

Ms. Sarah Charles
Assistant Administrator, USAID Bureau for Humanitarian Assistance

Mr. Peter Duffy
USAID Mission Director for Afghanistan

We contracted with Conrad LLP (Conrad) to audit the costs incurred by [REDACTED] under a grant agreement from the U.S. Agency for International Development's (USAID) Office of U.S. Foreign Disaster Assistance, to support an integrated emergency response for drought and conflict-affected communities in Afghanistan.¹ The program's mission was to [REDACTED]

[REDACTED]. Conrad reviewed \$6,280,124 in costs charged to the agreement from July 1, 2019, through December 31, 2020. Our contract with Conrad 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 USAID:

1. **Determine the allowability of and recover, as appropriate, \$119,419 in questioned costs identified in the report.**
2. **Advise [REDACTED] to address the report's three internal control findings.**
3. **Advise [REDACTED] to address the report's three noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. Our review, as differentiated from an audit 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 [REDACTED] Special Purpose Financial Statement. We also express no opinion on the effectiveness of [REDACTED] internal control or compliance with the agreement, laws, and regulations. Conrad is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with 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, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-215)

¹ The grant agreement number is [REDACTED].

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED] Awarded by the
United States Agency for International Development's Democracy, Conflict, and
Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance
("USAID/DCHA/OFDA" or "USAID"), in Support of An Integrated Emergency Response
for Drought Affected Communities in the [REDACTED]
[REDACTED] Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Table of Contents

	Page
Transmittal Letter	
Background	1
Work Performed	2
Objectives, Scope, and Methodology	2
Summary of Results	5
Summary of [REDACTED] Responses to Audit Findings	7
Independent Auditor's Report on the Special Purpose Financial Statement	8
Special Purpose Financial Statement	10
Notes to the Special Purpose Financial Statement	11
Notes to Questioned Costs Presented on the Special Purpose Financial Statement	14
Independent Auditor's Report on Internal Control	16
Independent Auditor's Report on Compliance	18
Schedule of Findings and Questioned Costs	20
Status of Prior Audit Findings	27
Appendices:	
Appendix A: [REDACTED] Responses to Audit Findings	33
Appendix B: Auditor's Rebuttal to [REDACTED] Responses to Audit Findings	36



March 9, 2022

Board of Trustees
[REDACTED]

Special Inspector General for Afghanistan Reconstruction ("SIGAR")
Arlington, VA

Conrad LLP (referred to as "Conrad" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of [REDACTED] (" [REDACTED] ") Special Purpose Financial Statement ("SPFS") for costs incurred under Agreement No. [REDACTED] ("Agreement") awarded by the U.S. Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance ("USAID/DCHA/OFDA" or "USAID"), in Support of An Integrated Emergency Response for Drought Affected Communities in the [REDACTED] [REDACTED], Afghanistan Program (the "Program"), for the period of July 1, 2019 through December 31, 2020.

On January 20, 2022, we provided SIGAR with a draft report reflecting our audit procedures and results. [REDACTED] received a copy of the report on February 18, 2022, and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and [REDACTED]. [REDACTED] responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

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

Sincerely,

Sam Perera, CPA, CFE, CITP, CGMA
Partner

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED] Awarded by the
U.S. Agency for International Development's Democracy, Conflict, and Humanitarian
Assistance Bureau and Office of Foreign Disaster Assistance
Supporting the Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Background

Effective August 16, 2019, the U.S. Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance ("USAID/DCHA/OFDA" or "USAID"), awarded Grant Agreement No. [REDACTED] ("Agreement") to [REDACTED] in Support of An Integrated Emergency Response for Drought Affected Communities in the [REDACTED], Afghanistan Program ("Program"). The Agreement included a pre-award period from July 1, 2019 through August 16, 2019 and allowable pre-award costs were approved under the Agreement pursuant to 2 CFR 200.458. The actual Effective Date of the Agreement was August 16, 2019.

The Program targets communities in the [REDACTED] of Afghanistan to [REDACTED]. In addition, the Program's goal is to [REDACTED] to reduce the vulnerability of all family members to preventable diseases.

Key objectives of the Program include:

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]

As detailed in the *Summary of Agreement* below, the initial approved budget was \$5,000,000, with a performance period from July 1, 2019 through December 31, 2020. There were three subsequent modifications to the Agreement during our audit period, which increased the funding amount to \$9,300,000 and extended the period of performance end date to January 31, 2022. See the *Summary of Agreement* on the next page.

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Summary of Agreement

Agreement Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
[REDACTED]*	\$5,000,000	07/01/19	12/31/20	3	\$9,300,000	01/31/22

*Indicates the Agreement was modified.

[REDACTED]

Work Performed

Conrad LLP ("Conrad") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a financial audit of the Agreement, as previously mentioned above, of [REDACTED] ("[REDACTED]") Special Purpose Financial Statement ("SPFS") for costs incurred under the Program for the period from July 1, 2019 through December 31, 2020, with a total incurred cost of \$6,280,124.

Objectives, Scope, and Methodology

Audit Objectives

The objectives of the audit for the aforementioned Agreement include the following:

- *Special Purpose Financial Statement ("SPFS")* – Express an opinion on whether [REDACTED] SPFS for the Agreement presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the Agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain a sufficient understanding of [REDACTED] internal controls related to the Agreement, assess control risk, and identify and report on significant deficiencies, including material internal control weaknesses.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

- *Compliance* – Perform tests to determine whether [REDACTED] complied, in all material respects, with the Agreement requirements and applicable laws and regulations, and identify and report on instances of material noncompliance with terms of the Agreement 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 [REDACTED] 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 audit included all costs incurred under the Agreement during the period of July 1, 2019 through December 31, 2020 totaling \$6,280,124. Our testing of the indirect cost was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (“NICRA”) and subsequent applicable amendments.

Audit Methodology

In order to accomplish the objectives of this audit, we designed our audit procedures to include the following:

Entrance Conference

An entrance conference was held on August 4, 2021 with representatives of [REDACTED], Conrad, SIGAR, and USAID participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of [REDACTED]. The scope of our audit includes [REDACTED] management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of [REDACTED] through interviews, observations, and reading the policies and manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
 - Agreement and all modifications;

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

- Any regulations that are specific to the Agreement's requirements, such as 2 CFR, USAID Acquisition Regulations and USAID Mission Order 201.6;
- Previous financial, statutory, USAID, Bureau of Population, Refugees and Migration ("BPRM"), and Recipient Contracted Audit ("RCA") reports;
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs are properly recorded.

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Agreement, and the applicable transaction ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Agreement, and reasonable;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved provisional and final negotiated indirect cost rates to ensure that they were accurately applied.

Internal Controls Related to the Agreement

We reviewed [REDACTED] internal controls related to the Agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of [REDACTED] financial reporting function and compliance with applicable laws and regulations. This review was accomplished through interviews with management and key personnel, reviewing policies and procedures, identifying key controls within significant transaction cycles, and testing those key controls.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Compliance with Agreement Requirements and Applicable Laws and Regulations

We performed tests of transactions to determine whether [REDACTED] complied, in all material respects, with the Agreement requirements, USAID Acquisition Regulation ("AIDAR"), 2 CFR 200, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Corrective Action on Prior Findings and Recommendations

We requested from [REDACTED] to identify previous engagements that could have a material effect on [REDACTED] SPFS. In addition, we conducted a search online of various governmental websites, including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on [REDACTED] SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 27.

Exit Conference

An exit conference was held on January 10, 2022, via conference call. Participants included representatives from Conrad, [REDACTED], SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and the reporting process.

Summary of Results

We have summarized the details of these results in the Findings and Questioned Costs subsection 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

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS.

We identified \$119,419 in total questioned costs, all of which are comprised of ineligible costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Agreement's provisions or applicable laws and regulations, or not related to the Agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on [REDACTED] SPFS. In performing our testing, we considered whether the

(Continued)

[REDACTED]
 Financial Audit of Costs Incurred Under
 Grant Agreement No. [REDACTED]
 Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
 Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
 Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
 Afghanistan

For the Period of July 1, 2019 through December 31, 2020

information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

Internal Control Findings

Our audit discovered three internal control findings. The three internal control findings are considered to be significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 16.

Compliance Findings

The results of our testing disclosed three instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 18.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. [REDACTED] self-disclosed one instance of alleged fraud that could have potentially impacted the Program and the SPFS. Based on further discussions with [REDACTED] and review of the alleged incident of fraud, an internal investigation into these allegations was completed and the results found that there was no material effect to the Program or the SPFS during the period under review. As such, there are no further communications warranting additional consideration.

The following summarized the audit results:

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2022-01	Non-Compliance; Internal control – Significant Deficiency	Indirect Cost Rate was not Updated Within Grant Agreement Requirements	\$114,076	\$0	\$114,076
2022-02	Non-Compliance; Internal control – Significant Deficiency	Fines related to travel and license were charged to the Program.	\$3,488	\$0	\$117,564

(Continued)



Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development’s Democracy, Conflict, and Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance Supporting An Integrated Emergency Response for Drought Affected Communities in the [REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

2022-03	Non-Compliance; Internal control – Significant Deficiency	Unallowable Personnel Costs Charged to the Program	\$1,855	\$0	\$119,419
Total Questioned Costs			\$119,419	\$0	\$119,419

Review of Prior Findings and Recommendations

Based on our request and search of prior engagements pertinent to [REDACTED] activities under the Agreement, we identified six prior audit reports that contained eleven findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. We have reviewed the corrective actions taken to address these findings and recommendations. Our review procedures included holding discussions with management regarding corrective actions taken, reviewing evidence of revised policies and procedures or other applicable recommended actions, as well as conducting tests of items similar to those found in the prior findings. Based on our review, [REDACTED] has taken adequate corrective actions on eight of the eleven findings and did not take adequate corrective action on three of the prior findings. See *Status of Prior Audit Findings* on page 27 for a detailed description of the prior findings and recommendations.

Summary of [REDACTED] Responses to Findings

The following represents a summary of the responses provided by [REDACTED] to the findings identified in this report. The complete responses received can be found in **Appendix A** starting at page 33 of this report):

Finding 2022-01 – [REDACTED] partially agreed with the finding stating that the organization has updated its internal process in order to adjust the NICRA rate as an updated provisional rate is communicated during the grant period. [REDACTED] stated that it had found no clear statement in the NICRA guidelines which required the organization to retroactively apply updated provisional indirect cost rates and reimburse the U.S. Government for any amounts previously overcharged.

Finding 2022-02 – [REDACTED] agreed with the finding and stated corrective actions had been taken.

Finding 2022-03 – [REDACTED] agreed with the finding and stated corrective actions had been taken.



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Trustees
[REDACTED]

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of [REDACTED] ("[REDACTED]") and the related notes to the Special Purpose Financial Statement, with respect to the Agreement No. [REDACTED] ("Agreement") awarded by the U.S. Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance ("USAID/DCHA/OFDA" or "USAID"), for the period of July 1, 2019 through December 31, 2020.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the requirements provided by the Office of the Special Inspector General of Afghanistan Reconstruction ("SIGAR"). Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Special Purpose Financial Statement based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to [REDACTED] preparation and fair presentation of the Special Purpose Financial Statement 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

████████ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Special Purpose Financial Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion.

Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred and balances for the indicated period of July 1, 2019 through December 31, 2020, in accordance with the terms of the Agreement and conformity with the basis of accounting described in Note 4.

Basis of Accounting

We draw attention to Note 2 and Note 4 to the Special Purpose Financial Statement, which describes the basis of presentation and accounting. As described in Note 4 to the Statement, the Statement is prepared by ██████████ on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 9, 2022 on our consideration of ██████████ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Agreement and other matters. The purpose of those reports is 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 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 ██████████ internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of ██████████, U.S. Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance, and the Special Inspector General for Afghanistan Reconstruction, 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Conrad LLP

Lake Forest, California
March 9, 2022

(Continued)

[REDACTED]
 Financial Audit of Costs Incurred Under
 Agreement No. [REDACTED]
 Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
 Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
 Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
 Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	Questioned Costs		<u>Total</u>	<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>		
Revenues:						
Agreement No. [REDACTED]	\$9,300,000	\$6,280,124	\$ -	\$ -	\$ -	(5)
Total revenues	<u>\$9,300,000</u>	<u>\$6,280,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Personnel	2,247,560	1,914,614	4,605	-	4,605	(A)
Fringe Benefits	733,903	193,976	-	-	-	
Travel	145,647	117,512	-	-	-	
Equipment	59,929	18,751	-	-	-	
Supplies	3,825,901	2,536,674	-	-	-	
Other Direct Costs	1,031,347	650,636	102	-	102	(B)
Indirect Costs	<u>1,255,713</u>	<u>847,961</u>	<u>114,712</u>	<u>-</u>	<u>114,712</u>	(C)
Total costs incurred	<u>\$9,300,000</u>	<u>\$6,280,124</u>	<u>\$ 119,419</u>	<u>\$ 0</u>	<u>\$ 119,419</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>				

See Notes to the Special Purpose Financial Statement and Notes to Questioned Costs Presented on the Special Purpose Financial Statement

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Notes to the Special Purpose Financial Statement¹

(1) Background

[REDACTED] is a humanitarian, non-for-profit organization [REDACTED] was awarded one agreement to support an Integrated Emergency Response for Drought Affected Communities in the [REDACTED] Afghanistan.

(2) Basis of Presentation

The accompanying Special Purpose Financial Statement ("SPFS") includes costs incurred under the Agreement No. [REDACTED] for the period 1 July 2019 to 31 December 2020 with pre-award costs approved from 1 July 2019 to August 16, 2019 and allowable pre-award costs are approved under the Agreement pursuant to 2 CFR 200.458. The actual effective date of the Agreement is August 16, 2019.

Because this SPFS presents only a portion of the operations of [REDACTED], it is not intended to, and does not present the financial position, changes in net assets, or cash flows of [REDACTED]. The information in the SPFS is presented in accordance with the requirements provided by the Office of the Special Inspector General of Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned award. Therefore, some amounts presented in the SPFS may differ from amounts presented in or used in the preparation of basic accounting statements.

(3) Status and Operation

The Agreement No [REDACTED] remains active beyond the audit period. The validity period of the above quoted agreement is ending on January 31, 2022.

(4) Summary of Significant Accounting Policies

a. Basis of Accounting

Expenditures and revenue reported on the SPFS are on the cash basis of accounting, and amounts are presented per the terms of the Agreement. Such expenditures are recognized following cost principles contained in 2 CFR 200 Subpart E, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

¹ These Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED].



Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Notes to the Special Purpose Financial Statement¹

b. Foreign Currency Conversion Method

For purposes of preparing the SPFS, conversions from local currency to United States dollars were not required as all costs presented were in United States dollars and were converted in the Serenic NAV accounting system when the transactions were recorded.

(5) Revenues

Revenues on the SPFS represent the amount of funds [REDACTED] is entitled to receive from USAID for allowable, eligible costs incurred under the signed Agreement and Grant, during the period of performance.

(6) Cost Categories

The budget categories presented, and associated amounts reflect the budget line items presented within the approved Agreement budget. The total budget for the Program is \$6,921,729 for the performance period of the aforementioned Agreement.

(7) Reconciliation

For the Agreement period covered by this audit, July 1, 2019 to December 31, 2020, the amount of funding received from USAID matches [REDACTED] incurred costs. Therefore, there is no outstanding fund balance.

(8) Indirect Costs

[REDACTED] has an approved Negotiated Indirect Cost Rate Agreement ("NICRA") allocation base "Total costs excluding Management and General Expenses", dated 24 September 2020, which establishes the following indirect cost rate.

Type	Effective Period		Indirect Cost Rate
	From	Through	IDC [REDACTED]
Provisional	01 January 2019	Until Amended	13.51%

¹ These Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED].



Financial Audit of Costs Incurred Under Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development’s Democracy, Conflict, and Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance Supporting An Integrated Emergency Response for Drought Affected Communities in the [REDACTED], Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Notes to the Special Purpose Financial Statement¹

(9) Subsequent Events

On two of the current audit findings, actions had already been implemented in 2021 about booking reclassification on a monthly basis. On the finding related to visa fines from 2021, these will no longer be charged to donors but to [REDACTED] private funds.

Management has performed an analysis of the activities and transactions subsequent to the July 1, 2019 through December 31, 2020, period covered by the Statement. Management has performed their analysis through March 9,2022.

¹ These Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED].

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
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the [REDACTED]
[REDACTED] Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Personnel

[REDACTED] reported a total of \$1,914,614 for salaries and \$193,976 for fringe benefits costs for the period of July 1, 2019 through December 31, 2020.

During our audit of these costs, we noted:

- Ten (10) instances where fines related to visa processing for employees was charged to the Program. This resulted in questioned costs of \$2,971. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- Two (2) instances where overpayment of salary made to the employee was not reversed out from the Program costs. This resulted in questioned costs of \$1,459. See **Finding No. 2022-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where safety compensation paid to the employee for the months of December 2018 through June 2019 was incorrectly charged to the Program. This resulted in questioned costs of \$175. See **Finding No. 2022-03** in the *Schedule of Findings and Questioned Costs* section of this report.

(B) Other Direct Costs

[REDACTED] reported a total of \$650,636 for other direct costs for the period of July 1, 2019 through December 31, 2020. During our audit of these costs, we noted one (1) instance where [REDACTED] included a two month fine related to the renewal of VHF license in the costs charged to the Program. This resulted in questioned cost of \$102. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.

(C) Indirect Costs

[REDACTED] reported a total of \$847,961 for Indirect Costs for the period of July 1, 2019 through December 31, 2020. During our audit of these costs, we noted that [REDACTED] did not apply the revised provisional NICRA rate provided by USAID when calculating the indirect cost associated with the Program. This resulted in questioned cost of \$114,076. See **Finding No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.

² These 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.

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]
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[REDACTED] Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

In addition, the indirect costs associated with questioned costs identified in Notes A through B above resulted in total unsupported indirect costs of \$636. This resulted in total questioned indirect costs of \$114,712.

² These 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.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Trustees
[REDACTED]

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

We have audited, the Special Purpose Financial Statement and related notes to the Statement, 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, by [REDACTED] ("[REDACTED]") under Grant Agreement No. [REDACTED], supporting An Integrated Emergency Response for Drought Affected Communities in the [REDACTED], Afghanistan, for the period of July 1, 2019 through December 31, 2020. We have issued our report thereon dated March 9, 2022 with an unmodified opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement of [REDACTED] for the period of July 1, 2019 through December 31, 2020, we obtained an understanding of [REDACTED] internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Special Purpose Financial Statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

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 the entity's financial statements 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified. We did identify three deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2022-01, 2022-02, and 2022-03, which we consider to be significant deficiencies.

█ Response to Findings

█ response to the findings identified in our audit is included verbatim in *Appendix A*. █ response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

Purpose of this Report

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

Restriction on Use

This report is intended for the information of █, U.S. Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance, and 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Conrad LLP

Lake Forest, California
March 9, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Trustees
[REDACTED]

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

We have audited, the Special Purpose Financial Statement ("Statement") and related notes to the Statement, 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, by [REDACTED] ("[REDACTED]") under Grant Agreement No. [REDACTED], supporting An Integrated Emergency Response for Drought Affected Communities in the [REDACTED], Afghanistan for the period of July 1, 2019 through December 31, 2020. We have issued our report thereon dated March 9, 2022 with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether [REDACTED] Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2022-01, 2022-02, and 2022-03.

[REDACTED] Response to Findings

[REDACTED] response to the findings identified in our audit is included verbatim in *Appendix A*. [REDACTED] response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

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 compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of [REDACTED], U.S. Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance, and the Special Inspector General for Afghanistan Reconstruction 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Conrad LLP

Lake Forest, California
March 9, 2022

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
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For the Period of July 1, 2019 through December 31, 2020

Schedule of Findings and Questioned Costs

Finding 2022-01: Indirect Cost Rate was not Updated Within Grant Agreement Requirements

Nature of Finding: Non-compliance; Internal Control – Significant Deficiency

Condition: During our testing of Indirect Costs, [REDACTED] did not adjust the provisional indirect cost rate approved in the award to reflect the updated provisional rate approved in a subsequent Negotiated Indirect Cost Rate Agreement ("NICRA"). Using the subsequent approved provisional rates in the NICRA, we calculated the variance, and the amounts represent an over-charge to the Government as below.

Indirect Cost	<u>Indirect Costs Charged</u>			<u>Auditor's Calculation</u>		
	Base Amount	Provisional Rate Applied	Indirect Costs	Updated Provisional Rate	Audited IDC Amount based on Revised Rate	Variance over allowable
2019	\$ 606,751	15.61%	\$ 94,714	13.51%	\$ 81,972	\$ 12,742
2020	4,825,412	15.61%	753,247	13.51%	651,913	101,334
Total	\$5,432,163		\$847,961		\$ 733,885	\$ 114,076

Criteria:

According to Section 1.10 – Indirect Costs of the Grant Agreement with USAID dated August 16, 2019:

"Pursuant to the Standard Provision set forth in Attachment 3 of this Agreement entitled "Indirect Costs – Negotiated Indirect Cost Rate Agreement (NICRA)," an indirect cost rate or rates shall be established for each of the Recipient's accounting periods which apply to this Agreement."

According to Section 1.14 – Attachment 3 Standard Provisions of the Grant Agreement with USAID dated August 16, 2019:

"RAA3. Indirect Costs – Negotiated Indirect Cost Rate Agreement (NICRA) (DEC2014):...

(b) Provisional indirect cost rates must be established for the recipient's fiscal years during the term of this award. Pending establishment of revised provisional or final rates, allowable indirect costs will be reimbursed at the rates, on the bases, and for the periods shown in the Schedule of this award...

[REDACTED]

Financial Audit of Costs Incurred Under
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Schedule of Findings and Questioned Costs

(e) The results of each negotiation will be set forth in a Negotiated Indirect Cost Rate Agreement (NICRA) signed by both parties and is automatically incorporated into this award.

...(f) Pending establishment of final indirect cost rates for any fiscal year, the recipient will be reimbursed either at negotiated provisional rates or at billing rates acceptable to the AO..."

2 CFR 200.411, Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs, states, in part:

"(a) Negotiated indirect (F&A) cost rates based on a proposal later found to have included costs that...

(2) Are unallowable because they are not allocable to the Federal award(s), must be adjusted, or a refund must be made, in accordance with the requirements of this section. These adjustments or refunds are designed to correct the proposals used to establish the rates and do not constitute a reopening of the rate negotiation. The adjustments or refunds will be made regardless of the type of rate negotiated (predetermined, final, fixed, or provisional)..."

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..."

Cause: [REDACTED] and USAID signed a revised NICRA in September 2020, but [REDACTED] did not adjust and apply the updated approved indirect cost rate to Program costs because [REDACTED] believed that indirect costs associated with the Program are billed based on the rate in the Agreement and not on the revised NICRA.

Effect: [REDACTED] lack of understanding of the Agreement and CFR requirements resulted in [REDACTED] overcharging the U.S. Government for indirect costs.

Questioned Costs: Ineligible questioned costs identified totaled \$114,076.

[REDACTED]

Financial Audit of Costs Incurred Under
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[REDACTED],

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For the Period of July 1, 2019 through December 31, 2020

Schedule of Findings and Questioned Costs

Recommendation:

- (1) We recommend that [REDACTED] refund \$114,076 in ineligible costs to the U.S. Government.
- (2) We recommend that [REDACTED] make immediate adjustments to updated approved NICRA rates, provisional or final, and refund the U.S. Government for overpayments received.
- (3) We recommend that [REDACTED] provide training to its personnel to ensure they are familiar with the terms of the Agreement and that the updated provisional indirect cost rate is applied to the Program costs.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]
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For the Period of July 1, 2019 through December 31, 2020

Schedule of Findings and Questioned Costs

Finding 2022-02: Fines Related to Visas and Licenses were Charged to the Program

Nature of Finding: Non-compliance; Internal Control – Significant Deficiency

Condition: Conrad tested 31 samples totaling \$10,159 out of a population of 157 transactions totaling \$25,961 for the Non-Payroll Personnel Costs and 102 samples totaling \$211,598 out a population of 3,172 transactions totaling \$650,636 for Other Direct Costs to determine if the costs incurred under the Program were adequately supported, accurate, and properly approved.

- In 10 out of the 31 samples tested for non-payroll personnel costs, [REDACTED] charged fines related to late fines associated with visa processing of employees to the Program. This resulted in overcharges to USAID in the amount of \$2,971.
- In 1 out of the 102 samples tested for other direct costs, [REDACTED] charged a two month fine related to the late renewal of a Very High Frequency (“VHF”) license to the Program. This resulted in overcharges to USAID in the amount of \$102.

Criteria:

Per Agreement Attachment 3, Section MI. ALLOW ABLE COSTS (DEC 2014), states, in part:

“a. The recipient will be reimbursed for costs incurred in carrying out the purposes of this award in accordance with the terms of this award and the applicable cost principles in effect on the date of this award. The recipient may obtain a copy of the applicable cost principles from the Agreement Officer (AO):

2 CFR 200, Subpart E, Cost Principles...”

2 CFR 200.441 Fines, penalties, damages, and other settlements, states in part:

“Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local, or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of the Federal awarding agency...”

Cause: [REDACTED] did not have policies and procedures in place to ensure its staff initiate the renewal process for visas and VHF licenses in a timely manner to avoid any late fines. In addition, [REDACTED] did not have a procedure in place to review and exclude unallowable costs from Program costs.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]

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[REDACTED],

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For the Period of July 1, 2019 through December 31, 2020

Schedule of Findings and Questioned Costs

Effect: Lack of policies and procedures to ensure that late visa and late VHF license renewals are submitted timely, and that unallowable costs, including late fines and late license renewals, are excluded from the Program costs, resulted in ineligible costs charged to the U.S. Government.

Questioned Costs: We identified \$3,073 in ineligible costs and \$415 in associated indirect costs, which resulted in \$3,488 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] credit back the ineligible costs associated with fines charged to the Program and show the correction on the next billing to USAID or return \$3,488 of ineligible costs.
- (2) We recommend that [REDACTED] develop and implement policies and procedures to ensure visa and license renewals are initiated by the staff in a timely manner to avoid fines and penalties.
- (3) We recommend that [REDACTED] develop internal control procedures and policies for management oversight to ensure that ineligible costs related to fees, late fines, and penalties are excluded from Program costs.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]
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[REDACTED],
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For the Period of July 1, 2019 through December 31, 2020

Schedule of Findings and Questioned Costs

Finding 2022-03: Unallowable Personnel Costs Charged to the Program

Nature of Finding: Non-compliance; Internal Control – Significant Deficiency

Condition: Conrad tested 325 samples totaling \$258,939 out of a population of 3,422 transactions totaling \$1,914,614 for Personnel Costs to determine if the costs incurred under the program were adequately supported, accurate, and properly approved.

- In 2 out of 325 samples tested, an overpayment of salary was made to each of the employees by error but was not reversed out of the Program costs. This resulted in overcharges to USAID in the amount of \$1,459.
- In 1 out of 325 samples tested, a payment for safety compensation was made to an employee outside of the Agreement effective dates and as such is not related to the Program. This resulted in overcharges to USAID in the amount of \$175.

Criteria:

[REDACTED] **Finance Manual, Payroll Processing**, states, in part:

“6.16 Payroll Officer will ensure that all payroll data are appropriately approved and documented...”

6.18 FM reviews payroll documentation and reports associated with, and or generated by the payroll system. S/he approves payroll for the month and locks payroll data in the payroll software...”

[REDACTED] **Finance Manual, Reconciliation of Payroll and NAV Records**, states, in part:

“6.26 Every month after payroll payments have been booked in NAV, reconciliation is performed by PAO at GSO between payroll data in CRESUS and NAV records.”

2 CFR 200.430 (i), Standards for Documentation of Personnel Expenses –, states in part:

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;... (v) Comply with the established accounting policies and practices of the non-Federal entity...”

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
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Schedule of Findings and Questioned Costs

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:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...

(g) Be adequately documented..."

Cause: [REDACTED] stated they did not adhere to its payroll policy to perform the monthly reconciliation because the number of transactions to review is overwhelming and as such only performs reconciliation periodically.

Effect: Lack of monthly reconciliation to ensure that payroll costs are accurate resulted in overcharging the U.S. Government.

Questioned Costs: We identified \$1,634 in ineligible costs and \$221 in associated indirect costs, which resulted in \$1,855 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] credit back the unallowable costs associated with the salary overpayment and overpayment of safety compensation charged to the Program and show the correction on the next billing to USAID or return \$1,855 of ineligible costs.
- (2) We recommend that [REDACTED] develop and implement compensating controls to catch errors and oversights in payroll prior to the approval and submission of invoices for reimbursement to USAID for instances in which a monthly reconciliation cannot be conducted.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]

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[REDACTED],

Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from [REDACTED], SIGAR and USAID pertaining to [REDACTED] and activities under this Agreement and other Government funded awards. We identified six prior audit reports which contained 11 findings that could have a material effect on the SPFS and other financial data significant to the audit objectives. Our review procedures included a follow up discussion with [REDACTED] management, as well as conducting similar tests surrounding the identified areas during our current audit. We have summarized the results of our procedures below:

- (1) USAID Fund Accountability Statement and Schedule of Computation of Indirect Cost Rate for the year ended December 31, 2016 for Emergency response for vulnerable populations in [REDACTED], [REDACTED] (Agreement No.'s [REDACTED]), Multi-sector support to vulnerable people in [REDACTED], [REDACTED] (Agreement No. [REDACTED]), Ebola outbreak mitigation through enhance case isolation, [REDACTED] (Agreement No. [REDACTED]) and, Essential services for host and IDP populations in [REDACTED], [REDACTED] (Agreement No. [REDACTED]).

Compliance Finding No. 1 – Timeliness of Annual Audit:

Issue: [REDACTED] did not comply with the reporting requirements of the U.S. Government and failed to submit the 2016 RCA audit report no later than the nine months as stipulated in the Guidelines for Financial Audits Contracted by Foreign Recipients (February 2009, S 1.16).

Status: For the current engagement, we received and reviewed the RCA audit reports for the years ended 2017, 2018 and 2019 to ensure all submissions were within the timeframe stated in the Agreement. In addition, we also reviewed the programmatic reports submitted to USAID per the Agreement requirements. We noted that all reports were submitted to USAID within the stipulated timeframe. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

- (2) USAID Fund Accountability Statement and Schedule of Computation of Indirect Cost Rate for the year ended December 31, 2017 for Primary Health Care for Conflict Affected Populations in [REDACTED] (Agreement No. [REDACTED]), Global Health Cluster Partners support to enhance global capacity for humanitarian health [REDACTED], Emergency response for vulnerable populations in [REDACTED] (Agreement No. [REDACTED]), Multi-sector support to vulnerable populations in [REDACTED] (Agreement No. [REDACTED]), Emergency Shelter Provision & DRR Awareness for Hurricane Affected Households (Agreement No. [REDACTED]), and Rapid Support of shelter solutions to hurricane affected households in [REDACTED] (Agreement No. [REDACTED]).

[REDACTED]

Financial Audit of Costs Incurred Under
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Supporting An Integrated Emergency Response for Drought Affected Communities in the
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Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Compliance Finding No. 1 – Incorrect Allocation of Costs to the Awards

1(a) Issue: Identified an error in the reported personnel costs in relation to Award [REDACTED], where 90% of an employee's unused holiday was allocated to the project instead of apportioned as detailed on the employee's personnel activity report for the year. Questioned the excess charge allocated to the award, of \$3,362 and the related indirect costs of \$550, as ineligible costs.

Status: We received and reviewed [REDACTED] policies and procedures and supporting documentation, including timesheets, payslips, fund matrix and labor reports as part of our testing of personnel costs. We noted that all holidays were appropriately allocated to the Program based on the employee's activity on the Program. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

1(b) Issue: Identified an error in the reported personnel costs in relation to Award [REDACTED], where the incorrect amount of an individual's salary cost was allocated to the project. The recalculated salary charge was 26,519.26 KHS, which is 118,394.74 KHS less than the transaction amount. As such the equivalent \$1,160 and the corresponding indirect costs of \$190 were ineligible.

Status: We received and reviewed [REDACTED] policies and procedures and supporting documentation, including timesheets, payslips, fund matrix and labor reports as part of our testing of personnel costs. We noted that all personnel costs were allocated to the Program appropriately. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

1(c) Issue: Identified two errors in the reported personnel costs in relation to Award [REDACTED], where incorrect salary costs had been allocated to the project for two individuals. The recalculated salary charge for one individual arriving at 65,154.60 KHS, which is 43,436.40 KHS less than the transaction amount. For another individual, when recalculating the salary charge, it was 121,783.97 KHS, which is 9,166.53 KHS less than the transaction amount. The equivalent \$523 and the corresponding indirect costs of \$86 were ineligible.

Status: We received and reviewed [REDACTED] policies and procedures and supporting documentation, including timesheets, payslips, fund matrix and labor reports as part of our testing of personnel costs. We noted that in two instances corrections made to the for the overpayment of salary to an employee was not reversed out from the Program's transaction ledger. The associated question cost was \$1,460. As such, we concluded that [REDACTED] did not take adequate corrective actions to remediate this finding.

[REDACTED]

Financial Audit of Costs Incurred Under
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For the Period of July 1, 2019 through December 31, 2020

1(d) Issue: The cost of a TV sports subscription had been allocated to the project [REDACTED]. However, it was not found to be an allocable project cost. Therefore, the cost of the subscription of \$552 and the corresponding indirect costs of \$90 were considered to be ineligible.

Status: We received and reviewed [REDACTED] procurement policies and procedures and tested transactions related to books and subscriptions under other direct cost. We noted that all costs related to books and subscriptions were incurred in accordance with the terms and conditions of the Agreements. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Compliance Finding No. 2 – Prevention of Terrorist Financing

Issue: [REDACTED] does not have a formal procedure in place to routinely check all potential suppliers, sub-contractors, or grantees against the relevant Watch Lists.

Status: We received and reviewed [REDACTED] policy on Anti-Terrorism and Trade Sanctions (Dated July 2018, and revised February 2019) and the internal memo's outlining the dollar thresholds for conducting screenings. In addition, on October 18, 2021 we conducted a walkthrough of the third-party screening system - BluJay utilized by [REDACTED] to perform sanction screenings on its employees, contractors, and vendors. Furthermore, we also tested transactions under personnel, equipment, supplies and other direct costs to ensure that employees, contractors, and vendors were screened appropriately. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Compliance Finding No. 3 – Incorrect Computation of Indirect Costs

Issue: [REDACTED] incorrectly computed the indirect costs for the awards [REDACTED], [REDACTED] and [REDACTED] and [REDACTED].

Status: We received and reviewed the Agreement provisions and [REDACTED] approved Negotiated Indirect Cost Rate Agreement ("NICRA") with USAID dated May 8, 2019 and September 24, 2020. We noted that [REDACTED] did not apply the revised provisional NICRA rate provided by USAID when calculating the indirect cost associated with the Program. [REDACTED] did not apply the revised provisional rate of 13.51% provided by USAID on September 24, 2020 and continued to use the old provisional rate of 15.61%. As such, we concluded that [REDACTED] did not take adequate corrective actions to remediate this finding.

- (3) USAID Fund Accountability Statement and Schedule of Computation of Indirect Cost Rate for the year ended December 31, 2018 for Essential Services for Host and IDP Populations in [REDACTED] (Agreement No. [REDACTED]), Emergency Shelter and Health Care

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]
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Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Assistance to Crisis Affected Communities (Agreement No. [REDACTED]), Emergency Health Response to Vulnerable Populations in the East of the [REDACTED] (Agreement No. [REDACTED]), Multi-sector support to vulnerable populations in [REDACTED] (Agreement No. [REDACTED]), Emergency response to Tropical Cyclone Enawo in [REDACTED] (Agreement No. [REDACTED]), Multi-sector response for vulnerable conflict affected populations in [REDACTED] (Agreement No. [REDACTED]), and Emergency Food Security Program in Afghanistan (Agreement No. [REDACTED]).

Compliance Finding No. 1 – Incorrect Allocation of Costs to the Awards

Issue: [REDACTED] charged 100% of an employee's loyalty payment to the project when the employee did not charge 100% of the time to the project. This resulted in a question cost of \$2,000 and \$327 in indirect costs.

Status: We received and reviewed [REDACTED] policies and procedures and supporting documentation, including timesheets, payslips, fund matrix and labor reports as part of our testing of personnel costs. During the testing of personnel and fringe benefits, we identified one instance of noncompliance where the safety compensation was allocated to an employee prior to the inception of the Program. The associated questioned cost was \$175. As such, we concluded that [REDACTED] did not take adequate corrective actions to remediate this finding.

Compliance Finding No. 2 – Prevention of Terrorist Financing

Issue: [REDACTED] does not have a formal procedure in place to routinely check all potential suppliers, sub-contractors, or grantees against the relevant Watch Lists.

Status: We received and reviewed [REDACTED] policy on Anti-Terrorism and Trade Sanctions (Dated July 2018, and revised February 2019) and the internal memo's outlining the dollar thresholds for conducting screenings. In addition, on October 18, 2021 we conducted a walkthrough of the third-party screening system - BluJay utilized by [REDACTED] to perform sanction screenings on its employees, contractors, and vendors. Furthermore, we tested transactions under personnel, equipment, supplies and other direct costs to ensure that employees, contractors, and vendors were screened appropriately. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

- (4) Audit Of U.S. Government Bureau Of Population, Refugees And Migration ("BPRM") Resources Managed By [REDACTED] Under Cooperative Agreement No: [REDACTED] for the period 01 September 2015 To 31 August 2016.

[REDACTED]

Financial Audit of Costs Incurred Under
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Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Compliance Finding No. 1 – Ineligible Indirect Costs

Issue: [REDACTED] charged indirect costs in excess of the approved budgeted amount to the project. The total indirect cost charged to the project was \$140,474 when the approved budgeted amount was \$137,708. This resulted in a questioned cost of \$2,766.

Status: We received and reviewed the approved budgets and modifications associated with the Agreement and the certified SPFS to ensure that the total indirect cost charged to the Program did not exceed the budgeted amount of \$1,255,713 during the audit period. We noted that the indirect costs did not exceed the total budgeted amount during the audit period. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Compliance Finding No. 2 – Retention of Records

Issue: [REDACTED] was unable to locate the timesheet for the Project Support Manager. No costs were questioned as a result of this finding as a confirmation was received from the employee's supervisor of the time spent on the BPRM project for the months of February and March 2016.

Status: We received and reviewed [REDACTED] policies and procedures and supporting documentation, including timesheets, fund matrix and labor reports as part of our testing of personnel costs. We noted that all costs associated with personnel were adequately supported by documentation. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Compliance Finding No. 3 – Timeliness of Annual Audit

Issue: [REDACTED] did to comply with the reporting requirements of the U.S. Government and failed to submit the audit report for the award [REDACTED] audit report no later than the nine months in accordance with 2 CFR 200.512 Report Submission requirements.

Status: For the current engagement, we received and reviewed the RCA audit reports for the years ended 2017, 2018 and 2019 to ensure all submissions were within the timeframe stated in the Agreement. In addition, we also reviewed the programmatic reports submitted to USAID per the Agreement requirements. We noted that all reports were submitted to USAID within the stipulated timeframe. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

- (5) Audit Of U.S. Government Bureau Of Population, Refugees And Migration ("BPRM") Resources Managed By [REDACTED] Under Cooperative Agreement No: [REDACTED] for the period 01 September 2016 To 31 August 2017.

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
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Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Compliance Finding No. 1 – Ineligible Indirect Costs

Issue: [REDACTED] does not have a formal procedure in place to routinely check all potential suppliers, sub-contractors, or grantees against the relevant Watch Lists. No costs were questioned as a result of this finding.

Status: We received and reviewed [REDACTED] policy on Anti-Terrorism and Trade Sanctions (Dated July 2018, and revised February 2019) and the internal memo's outlining the dollar thresholds for conducting screenings. In addition, on October 18, 2021 we conducted a walkthrough of the third-party screening system - BluJay utilized by [REDACTED] to perform sanction screenings on its employees, contractors, and vendors. Furthermore, we tested transactions under personnel, equipment, supplies and other direct costs to ensure that employees, contractors, and vendors were screened appropriately. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

- (6) Audit Of U.S. Government Bureau Of Population, Refugees And Migration ("BPRM") Resources Managed By [REDACTED] Under Cooperative Agreement No: [REDACTED] for the period 01 September 2017 To 28 February 2018.

Compliance Finding No. 1 – Ineligible Indirect Costs

Issue: [REDACTED] does not have a formal procedure in place to routinely check all potential suppliers, sub-contractors, or grantees against the relevant Watch Lists. No costs were questioned as a result of this finding.

Status: We received and reviewed [REDACTED] policy on Anti-Terrorism and Trade Sanctions (Dated July 2018, and revised February 2019) and the internal memo's outlining the dollar thresholds for conducting screenings. In addition, on October 18, 2021 we conducted a walkthrough of the third-party screening system - BluJay utilized by [REDACTED] to perform sanction screenings on its employees, contractors, and vendors. Furthermore, we also tested transactions under personnel, equipment, supplies and other direct costs to ensure that employees, contractors, and vendors were screened appropriately. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

[REDACTED] Responses to the Audit Findings

Included on the following page is [REDACTED] responses received to the findings identified in this report.

██████████.org

Finding 2022-01: Indirect Cost Rate was not Updated Within Grant Agreement Requirements

It is ██████████ understanding that the final yearly NICRA rate applies retroactively to the project costs for that given year. Most of ██████████ grants run on a one-year period. During the operating time-period of the grant, the NICRA provisional rate at the time of the contract signature is applied. At end of the grant, as part of the grant close out process, calculations are made based on the final yearly NICRA rate to determine the eventual refund, in case of overpayment or request, in case of underpayment. ██████████ has updated its internal process to adjust the NICRA rate applied to the remaining months of the grant should an updated provisional rate be communicated during the time-period of an active grant. ██████████ has increased its budget for training, finance staff has undertaken trainings with Bureau of Human Assistance on different levels (Logistics, Finance). ██████████ has also contracted consultants to get more insight into the NICRA in 2021 and in 2022. By looking at the NICRA guidelines, we could not find any clear statement that the new rate has to be retroactively applied.

Finding 2022-02: Fines Related to Visas and Licenses were Charged to the Program

Corrections have been posted to remove these costs from the transaction ledger before the final report is submitted to the donor. A communication was sent out in November 2020 requesting international staff to undertake required administrative procedures in a timely manner so as to avoid fines. In addition, should fines related to visa renewals and late VHF licenses arise, these costs are no longer to be posted to donor grants but to private funds. In terms of internal controls, in 2020, account reconciliations started to be carried out on a quarterly basis to review costs allocated to donors; and from the beginning of 2021, these account reconciliations are performed on a monthly basis and corrections posted as required. Regular reviews of accounts in ██████████ monthly closing process reduce the risk of wrongly allocated costs to donors.

Finding 2022-03: Unallowable Personnel Costs Charged to the Program

Corrections have been posted to remove these costs from the transaction ledger before the final report is submitted to the donor. In terms of internal controls, in 2020 account reconciliations started to be carried out on a quarterly basis to review costs allocated to donors; and from the beginning of 2021, these account reconciliations are performed on a monthly basis and corrections posted as required. Regular reviews of accounts in ██████████ monthly closing process reduces the risk for wrongly allocated costs to donors.

[REDACTED]

Financial Audit of Costs Incurred Under
 Agreement No. [REDACTED]
 Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
 Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
 Supporting An Integrated Emergency Response for Drought Affected Communities in the
 [REDACTED],
 Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Auditor's Rebuttal to [REDACTED] Responses to Audit Findings

[REDACTED] partially agreed with **Finding 2022-01** and all of **Finding 2022-02** and **Finding 2022-03**. We have reviewed [REDACTED] responses and provided the following rebuttals:

- (1) **Finding 2022-01:** [REDACTED] concurred with the requirement to true-up the indirect costs charged to the Program stating their understanding is that the final yearly NICRA rate applies retroactively to the project costs for that given year. [REDACTED] stated that during the operating time-period of the grant, the NICRA provisional rate at the time of the contract signature is applied and at end of the grant, as part of the grant close out process, calculations are made based on the final yearly NICRA rate to determine the eventual refund in case of overpayment or request in case of underpayment. [REDACTED] has updated its internal process to adjust the NICRA rate applied to the remaining months of the grant should an updated provisional rate be communicated during the time-period of an active grant. [REDACTED] has increased its budget for training, finance staff has undertaken trainings with Bureau of Humanitarian Assistance on different levels (Logistics, Finance). [REDACTED] has also contracted consultants to get more insight into NICRA in 2021 and in 2022. [REDACTED] stated they could not find any clear statement that the new rate has to be retroactively applied.

Auditor Rebuttal:

- The Grant Agreement states the provisional indirect cost rates must be established for the recipient's fiscal years during the term of the award and pending establishment of revised provisional or final rates, allowable indirect costs will be reimbursed at the rates, on the bases, and for the periods shown in the Schedule of this award. The approved NICRA dated September 24, 2020 had an updated provisional rate with an effective period of 01-01-2019 until amended. Therefore, [REDACTED] should retroactively apply the new rate starting 01-01-2019 onward to the grant until further amendment. As such, our finding and recommendation remains unchanged.
- (2) **Finding 2022-02:** [REDACTED] concurred with the ineligible cost finding of \$3,488 and associated indirect costs. [REDACTED] confirmed that corrections have been posted to remove these costs from the transaction ledger before the final report is submitted to USAID. [REDACTED] indicated a communication had been sent out in November 2020 requesting international staff to undertake required administrative procedures in a timely manner in order to avoid fines. [REDACTED] also stated should fines related to visa renewals and late VHF licenses arise, these costs will no longer be posted to donor grants but rather

[REDACTED]

Financial Audit of Costs Incurred Under
Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's Democracy, Conflict, and
Humanitarian Assistance Bureau and Office of Foreign Disaster Assistance
Supporting An Integrated Emergency Response for Drought Affected Communities in the
[REDACTED],
Afghanistan

For the Period of July 1, 2019 through December 31, 2020

Auditor's Rebuttal to [REDACTED] Responses to Audit Findings

to private funds. In addition, [REDACTED] stated that in 2020 account reconciliations were carried out on a quarterly basis to review costs allocated to donors and in 2021 these account reconciliations began to be performed on a monthly basis.

Auditor Rebuttal:

- No rebuttal is deemed necessary as [REDACTED] concurred with the finding and recommendation and will be issuing a credit for the \$3,488 and associated indirect costs through the final billing to USAID.

- (3) **Finding 2022-03:** [REDACTED] concurred with the ineligible cost finding of \$1,855 and associated indirect costs. [REDACTED] confirmed that corrections have been posted to remove these costs from the transaction ledger before the final report is submitted to USAID. [REDACTED] stated that in 2020 account reconciliations were carried out on a quarterly basis to review costs allocated to donors and in 2021 these account reconciliations began to be performed on a monthly basis

Auditor Rebuttal:

- No rebuttal is deemed necessary as [REDACTED] concurred with the finding and recommendation and will be issuing a credit for the \$1,855 and associated indirect costs through the final billing to USAID.

SIGAR's Mission

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- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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SIGAR's Mission

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