

# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

SIGAR 23-11 Financial Audit

USAID's Program Designed to Provide and Improve Shelter, Water, Sanitation, and Hygiene Services to At-Risk Populations 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.**



JANUARY  
2023



# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On July 19, 2019, the U.S. Agency for International Development (USAID) awarded a \$7,800,000 grant agreement to the [REDACTED] to provide and improve shelter, water, sanitation, and hygiene services to at-risk populations in Afghanistan. The program's objectives included supporting vulnerable returnees, internally displaced, and natural disaster-affected households through transitional shelter and improved water supply and sanitation infrastructure. USAID modified the agreement three times; the period of performance was extended from December 31, 2020, through February 28, 2022, and the total award amount did not change.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$7,799,940 in costs charged to the agreement from July 1, 2019, through February 28, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in [REDACTED] 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 [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. SIGAR's review disclosed no instances where Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

January 2023

USAID's Program Designed to Provide and Improve Shelter, Water, Sanitation, and Hygiene Services to At-Risk Populations in Afghanistan: Audit of Costs Incurred by [REDACTED]

### SIGAR 23-11-FA

### WHAT SIGAR FOUND

Conrad identified one significant deficiency, two deficiencies in [REDACTED] internal controls, and three instances of noncompliance with the terms of the agreement. For example, the auditors found that [REDACTED] did not accurately charge shared support costs (costs incurred by [REDACTED] that benefited multiple programs), resulting in ineligible costs being charged to the program. The auditors also found that [REDACTED] incorrectly charged some travel and other direct costs to USAID. SIGAR notified [REDACTED] of these deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and instances of noncompliance, Conrad identified \$249,707 in total questioned costs consisting entirely of ineligible costs—costs prohibited by the agreements and applicable laws and regulations. Conrad did not identify any unsupported costs—costs not supported with adequate documentation or that do not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Salaries	\$135,897	\$0	\$135,897
Travel and Transport	\$24,289	\$0	\$24,289
Branding and Marketing	\$159	\$0	\$159
Other Direct Costs	\$71,440	\$0	71,440
Contractual	\$1,253	\$0	\$1,253
Indirect Costs	\$16,669	\$0	\$16,669
<b>Total Costs</b>	<b>\$249,707</b>	<b>\$0</b>	<b>\$249,707</b>

Conrad identified one prior audit report that was relevant to [REDACTED] agreement. The report contained four findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Conrad conducted follow-up procedures and concluded that [REDACTED] had taken adequate corrective action on all four findings.

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, \$249,707 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

January 11, 2023

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

We contracted with Conrad LLP (Conrad) to audit the costs incurred by the [REDACTED] under a U.S. Agency for International Development (USAID) grant agreement to provide and improve shelter, water, sanitation, and hygiene services to at-risk populations in Afghanistan.<sup>1</sup> The program's objectives included supporting vulnerable returnees, internally displaced, and natural disaster-affected households through transitional shelter and improved water supply and sanitation infrastructure. Conrad reviewed \$7,799,940 in costs charged to the agreement from July 1, 2019, through February 28, 2022. 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, \$249,707 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. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. 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, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated October 17, 2022, and the conclusions expressed therein. However, our review disclosed no instances where Conrad 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 planned 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-229)

<sup>1</sup> The agreement number is [REDACTED]





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

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Responding to Shelter and Water, Sanitation and Hygiene Needs of Returnees,  
Conflict, and Disaster Affected Populations, Whilst Increasing Evidence Based  
Humanitarian Programming in Afghanistan

For the period July 1, 2019, through February 28, 2022

## Table of Contents

	Page
Transmittal Letter	
Background	1
Work Performed	1
Objectives, Scope, and Methodology	1
Summary of Results	4
Review of Prior Findings and Recommendations	6
Summary of ██████'s Responses to Findings	7
Independent Auditor's Report on the Special Purpose Financial Statement	8
Special Purpose Financial Statement	11
Notes to the Special Purpose Financial Statement	12
Notes to Questioned Costs Presented on the Special Purpose Financial Statement	15
Independent Auditor's Report on Internal Control	17
Independent Auditor's Report on Compliance	19
Schedule of Findings and Questioned Costs	21
Status of Prior Audit Findings	30
Appendices:	
Appendix A: ██████'s Responses to Audit Findings	32
Appendix B: Auditor's Rebuttal to ██████'s Responses to Audit Findings	38



October 17, 2022

Board of Directors  
[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 the [REDACTED] Special Purpose Financial Statement for costs incurred under agreement No. [REDACTED] awarded by the United States Agency for International Development's Office of Foreign Disaster Assistance ("USAID/OFDA") for the period July 1, 2019, through February 28, 2022, supporting the Responding to Shelter and Water, Sanitation and Hygiene Needs of Returnees, Conflict, and Disaster Affected Populations, Whilst Increasing Evidence Based Humanitarian Programming in Afghanistan.

On August 10, 2022, we provided SIGAR with a draft report reflecting our audit procedures and results. [REDACTED] received a copy of the report on September 2, 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]. Additionally, [REDACTED] responses and Conrad's corresponding rebuttals 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 the award.

Sincerely,

A handwritten signature in blue ink that reads "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

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## Background

On July 19, 2019, the United States Agency for International Development's Office of United States Foreign Disaster Assistance ("USAID/OFDA") awarded agreement No. [REDACTED] to [REDACTED] to support the Responding to Shelter and Water, Sanitation and Hygiene Needs of Returnees, Conflict, and Disaster Affected Populations, Whilst Increasing Evidence Based Humanitarian Programming in Afghanistan.

The purpose of the award was to alleviate the immediate needs of internally displaced persons and returnee populations in Afghanistan's [REDACTED] provinces, while informing humanitarian programming and decision making in the whole of Afghanistan. Specifically, the award sought to meet the humanitarian and shelter needs of returnees, conflict, and disaster-affected populations. To accomplish this goal, [REDACTED] has outlined three distinct objectives:

1. Support vulnerable returnees, internally displaced and natural disaster affected households through transitional shelter.
2. Improve immediate water supply and sanitation infrastructure for returnee and conflict natural disaster affected households and provide improved water access to drought impacted communities, while supporting regular and rapid access to hygiene promotion.
3. Provide a comprehensive evidence base of multi-sectoral needs across vulnerable population groups and geographical locations in Afghanistan, to better understand how sectoral needs, interrelate and aggravate one another and affect geographic areas and population groups differently.

The initial award amount was \$7,800,000, for the period of performance from July 1, 2019, through December 31, 2020. After three modifications to the agreement, the period of performance was extended from December 31, 2020, through February 28, 2022, and the total funding remained unchanged.

## 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 [REDACTED] Special Purpose Financial Statement ("SPFS") for costs incurred under the Responding to Shelter and Water, Sanitation and Hygiene Needs of Returnees, Conflict, and Disaster Affected Populations, Whilst Increasing Evidence Based Humanitarian Programming in Afghanistan program for the period July 1, 2019, through February 28, 2022 with a total incurred cost of \$7,799,940.

## Objectives, Scope, and Methodology

### Objectives Defined by SIGAR

The objectives of the audit include the following:

- *Special Purpose Financial Statement ("SPFS")* – Express an opinion on whether [REDACTED] SPFS for the award presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

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- *Internal Controls* – Evaluate and obtain sufficient understanding of [REDACTED] internal controls related to the award, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether [REDACTED] 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 [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 revenues received and costs incurred under the award during the period July 1, 2019, through February 28, 2022. The total revenue received, and costs incurred for the period were \$7,799,940, which included associated indirect costs. Our testing of indirect cost was limited to determining if the indirect cost was calculated in accordance with the award and/or subsequently approved Negotiated Indirect Cost Rate Agreement (“NICRA”).

### **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 via conference call on October 8, 2021. Participants included representatives from Conrad, [REDACTED], SIGAR, and USAID/OFDA. 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];
- Reviewed the award and all modifications;
- Reviewed specific USAID/OFDA regulations that are applicable to the award;
- Performed a financial reconciliation; and

(Continued)



[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

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- Selected samples based on our sampling techniques. Based on our approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high to medium to low risk for inclusion in our test of transactions. None of the populations were homogeneous in nature, which means none of the costs were identical in nature, thus statistical sampling was not used. All samples were selected on a judgmental basis. Our sampling methodology for judgmental samples was as follows:
  - For accounts that appeared to contain unallowable and restricted items according to the terms of the contract, Title 2 Code of Federal Regulations Part 200 (“2 CFR 200”), USAID Automated Directives System (“USAID ADS”), and any other applicable regulations, we tested 100% of the transactions.
  - For related party transactions, we did not identify any related party transactions.
  - High risk cost categories – sample transactions that are greater than \$39,000 not to exceed 30% of the total amount expended for each cost category.
  - Medium risk cost categories – sample transactions that are greater than \$78,000 not to exceed 20% of the total amount expended for each cost category.
  - Low risk cost categories – sample transactions that are greater than \$78,000 not to exceed 10% of the total amount expended for [REDACTED] cost category, and not to exceed 50 transactions in total for all accounts comprising low risk categories.

#### Internal Controls Related to the Agreement

We reviewed [REDACTED] internal controls related to the award 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, and identifying key controls within significant transaction cycles and testing those key controls.

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

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

(Continued)

[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

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Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from [REDACTED] and reviewed these reports to determine if there were any findings and recommendations that could have a potential impact on this audit. We also conducted a search online of various governmental websites including SIGAR, USAID, and other Federal agencies, to identify previous engagements that could have a material effect on [REDACTED]'s 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. 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. See the *Status of Prior Audit Findings* section on page 30.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the award and applicable general ledger;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Reviewed personnel costs to ensure they are supported, authorized, reasonable, and allowable; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the award, and reasonable.

Exit Conference

An exit conference was held on August 2, 2022, via conference call. Participants included representatives from Conrad, [REDACTED], SIGAR, and USAID/OFDA. During the exit conference, we discussed the preliminary results of the audit and reporting process.

**Summary of Results**

As a result of our procedures, we issued an unmodified opinion on the SPFS. We identified three findings that resulted in \$249,707 in questioned costs. 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 results in their entirety.

Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS in all material respects, revenues earned, and costs incurred.

(Continued)

[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

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Internal Controls Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered [REDACTED]'s internal control over financial reporting and performed tests of those controls. Conrad identified one significant deficiency and two deficiencies in [REDACTED]'s internal controls. See *Independent Auditor's Report on Internal Control* on page 17.

Compliance Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of [REDACTED]'s compliance with certain provisions of the award and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. We identified three instances of non-compliance. See *Independent Auditor's Report on Compliance* on page 19.

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*. [REDACTED] self-disclosed three instances of alleged fraud that could have potentially impacted the Program and the SPFS. Based on further discussions with [REDACTED] and review of the alleged 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.

We identified \$249,707 in total questioned costs which entirely consist of ineligible costs. Ineligible costs are explicitly questioned because they are unreasonable; prohibited by the award provisions or applicable laws and regulations; or not award related. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. The following summarizes the audit results:

(Continued)

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

For the period July 1, 2019, through February 28, 2022

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2022-01	Internal Control – Significant Deficiency and Non-Compliance	Costs benefiting multiple programs were allocated to the Program in excess of the proportional benefit	\$ 247,761	\$ -	\$ 247,761
2022-02	Internal Control – Deficiency and Non-Compliance	[REDACTED] incorrectly charged travel and internet costs to the Program	1,946	-	249,707
2022-03	Internal Control – Deficiency and Non-Compliance	[REDACTED] did not adhere to its internal policies relating to bi-annual employee appraisals	-	-	249,707
<b>Total Questioned Costs</b>			<b>\$ 249,707</b>	<b>\$ -</b>	<b>\$ 249,707</b>

**Review of Prior Findings and Recommendations**

Based on our request and search of prior engagements pertinent to [REDACTED]'s activities under the award. We identified one prior audit report contained four findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. 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, we concluded that [REDACTED] took adequate corrective action on all four findings. See *Status of Prior Audit Findings* on page 30 for a detailed description of the prior findings and recommendations.



[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

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### Summary of [REDACTED]'s 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 at the **Appendix A** starting at page 32 of this report.

- (1) **Finding No. 2022-01:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] contests the finding and requests that the auditor reconsider the finding based on their performance of an additional review of its support cost allocation tables and ratios related to Afghanistan. This additional review performed by [REDACTED] resulted in a new support ratio of [REDACTED] which was [REDACTED] lower than the reference ratio of [REDACTED] and concluded that support costs charged to the award were lower than their proportional benefit. Additionally, [REDACTED] reiterated that they are in compliance with the donor's 10% of the overall budget flexibility rules.
- (2) **Finding No. 2022-02:** [REDACTED] agreed with the finding and recommendation. [REDACTED] stated that it will work with USAID regarding the reimbursement and will work internally to prevent similar issues in the future.
- (3) **Finding No. 2022-03:** [REDACTED] agreed with the finding; however, did not comment on the recommendation. [REDACTED] indicated that bi-annual employee appraisals were not performed due to the regime change, security, and pandemic-related complications. [REDACTED] further indicated that evaluations that have been delayed are scheduled to take place prior to the end of 2022.

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors  
[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] and the related notes to the Special Purpose Financial Statement, with respect to United States Agency for International Development's Office of Foreign Disaster Assistance award agreement No. [REDACTED], Responding to Shelter and Water, Sanitation and Hygiene Needs of Returnees, Conflict, and Disaster Affected Populations, Whilst Increasing Evidence Based Humanitarian Programming in Afghanistan, for the period July 1, 2019 through February 28, 2022.

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 February 28, 2022, in accordance with the terms of the award and requirements provided by the Office of Special Inspector General of Afghanistan Reconstruction.

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of [REDACTED], 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 opinions.

### Basis of Presentation and Accounting

We draw attention to Note 1 and Note 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Statement, the Statement is prepared by [REDACTED] 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.

## **Responsibilities of Management 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. 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 it is free from material misstatement, whether due to fraud or error.

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

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Special Purpose Financial 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 Special Purpose Financial 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 [REDACTED] 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 financial statements.

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.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 17, 2022 on our consideration of [REDACTED] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 [REDACTED] internal control over financial reporting and compliance.

(Continued)

**Restriction on Use**

This report is intended for the information of [REDACTED], the United States Agency for International Development's Office of 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.

*Conrad LLP*

Lake Forest, California  
October 17, 2022



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

For the period July 1, 2019, through February 28, 2022

**Special Purpose Financial Statement**

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
<b>Agreement No.</b> [REDACTED]	<u>\$7,800,000</u>	<u>\$7,800,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(3)
Total revenues	<u>7,800,000</u>	<u>7,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Salaries	2,528,096	2,732,192	135,897	-	135,897	(A)
Travel and transport	53,500	80,662	24,289	-	24,289	(A,B)
Program supplies and equipment >\$5,000	3,786,770	3,442,616	-	-	-	
Other direct costs	848,082	941,334	71,440	-	71,440	(A,B)
USAID branding and marking	2,000	3,704	159	-	159	(A)
Contractual/Sub-awards	74,680	74,624	1,253	-	1,253	(A)
Indirect costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(C)
Total costs	<u>7,800,000</u>	<u>7,799,940</u>	<u>\$ 249,707</u>	<u>\$ -</u>	<u>\$ 249,707</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ 60</u>				(5)

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]

For the period July 1, 2019, through February 28, 2022

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

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**(1) Basis of Presentation**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under award Number [REDACTED] for the "Responding to Shelter and WASH Needs of Returnees, Conflict, and Disaster Affected Populations, Whilst Increasing Evidence Based Humanitarian Programming in Afghanistan" for the period July 1, 2019, to February 28, 2022. Because the Statement presents only a selected 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 this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal award Number [REDACTED]. Therefore, some amounts presented in this Statement may differ from amounts presented in or used in the preparation of the basic financial statements.

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

a. Basis of Accounting

Revenues and expenditures reported on the Statement are reported on the cash basis of accounting and recorded via [REDACTED]'s accounting system. Expenditures are recognized following the cost principles contained in single-entry cash accounting software called [REDACTED] and integrated on a yearly basis in [REDACTED] global double-entry accounting software called [REDACTED] to be certified by Statutory Auditors, wherein certain types of expenditures are not allowable or are limited as to reimbursement. [REDACTED] uses cash basis of accounting.

b. Foreign Currency Conversion Method

For purposes of preparing the Statement, translations from local currency to United States dollars were not required. [REDACTED] report is presented in USD, and conversion from local currencies into USD has been made following [REDACTED] exchange rate, as per [REDACTED] global accounting policies. All amounts presented are shown in U.S. dollars.

**(3) Revenues**

Revenues on the Statement represent the amount of funds to which [REDACTED] is entitled to receive from the OFDA for allowable, eligible costs incurred under the grant during the period of performance.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED].

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

For the period July 1, 2019, through February 28, 2022

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

**(4) Cost Categories**

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component of the [REDACTED] to the award dated on July 19th, 2019.

**Costs Billed**

Salaries	\$ 2,732,192
Travel and transport	80,662
Program supplies and equipment >\$5,000	3,442,616
Other direct costs	941,334
USAID Branding and marking	3,704
Contractual/Sub-award	74,624
Indirect Costs	[REDACTED]
<b>Total Costs Billed</b>	<b><u>\$ 7,799,940</u></b>

(\*) Indirect costs are reported based on the [REDACTED] as shown below:

Type	Date Issued	Effective Period		Indirect Cost Rate
		From	Through	
Final	03/29/2021	01/01/2019	12/31/2019	[REDACTED]
Final	01/14/2022	01/01/2020	Until Amended	[REDACTED]

**(5) Reconciliation**

The outstanding fund balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the award and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made. The \$60 difference shown in the report is due to an under expenditure of the implementing partner and will be reimbursed to BHA.

**(6) Currency**

All amounts presented are shown in U.S. dollars.

<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED].

[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

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

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**(7) Program Status**

The “Responding to Shelter and WASH Needs of Returnees, Conflict, and Disaster Affected Populations, Whilst Increasing Evidence Based Humanitarian Programming in Afghanistan” is complete.

**(8) Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to the July 1, 2019 through February 28, 2022, period covered by the Statement. Management has performed their analysis through October 17, 2022.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]



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

For the period July 1, 2019, through February 28, 2022

**Notes to Questioned Costs Presented on the  
Special Purpose Financial Statement<sup>2</sup>**

**(A) Salaries, Travel and Transport, Program Supplies and Equipment, Other Direct Costs, USAID Branding and Marking, and Contractual/Sub-Awards**

[REDACTED] reported a total of [REDACTED] for Salaries, [REDACTED] for Travel and Transport, \$3,442,616 for Program Supplies and Equipment, \$941,334 for Other Direct Costs, \$3,704 for USAID Branding and Marking, and \$74,624 for Contractual/Sub-Awards for the period of July 1, 2019 through February 28, 2022.

[REDACTED] allocates shared support costs amongst on-going projects based on an estimated ratio and then performs a final ratio analysis to determine a support cost ratio at the close of the program. During our audit, it was noted that the final ratio analysis yielded a support cost ratio that was less than the estimated ratio used and that the shared support costs were charged to the Program at the estimated ratio and were not adjusted to the support ratio. As such, the shared support costs charged to the Program exceeded the proportional benefit.

When separated by the cost categories on the SPFS, the difference between the estimated cost ratio and the final ratio of actual shared support costs incurred was not uniform, resulting in overcharged of incurred costs for each of the cost categories in the table below. The Program Supplies and Equipment line-item actual shared support costs incurred when applying the final ration resulted an undercharged of cost incurred or credit of \$15,321 in overall questioned costs. Upon further review, the underlying shared costs undercharged from the Program Supplies and Equipment category were closely related to Salaries and Travel and Transport costs, and as such, this credit was applied to the Salaries and Travel and Transport cost categories.

Cost Category	Transactions Impacted	Shared Costs Charged to Program	Shared Costs per Analysis	Variance
Salaries	7,868	\$ 1,784,634	\$ 1,648,737	\$ 135,897
Travel and Transport	235	80,662	57,907	22,755
Other Direct Costs ("ODC")	4,353	828,685	757,530	71,155
USAID Branding and Marking	5	2,349	2,190	159
Contractual/Sub-Awards	21	4,304	3,051	1,253
<b>Totals</b>	<b>12,482</b>	<b>\$ 2,700,634</b>	<b>\$ 2,469,415</b>	<b>\$ 231,219</b>

As a result of this finding, we questioned a total of \$231,219 in ineligible costs from Finding No. 2022-01 in the *Schedule of Findings and Questioned Costs* section of this report.

<sup>2</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.

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

For the period July 1, 2019, through February 28, 2022

**Notes to Questioned Costs Presented on the  
Special Purpose Financial Statement<sup>2</sup>**

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**(B) Travel and Transport and Other Direct Costs**

[REDACTED] reported a total of \$80,662 for Travel and Transport and \$941,334 for Other Direct Costs for the period of July 1, 2019 through February 28, 2022.

During our audit of these costs, we noted one (1) instance where the cost for a cancelled train ticket was not reimbursed back to the Program, one (1) instance, where the entire cost of airfare was allocated to the Program when a portion of the cost should have been allocated to another program, and One (1) instance, where [REDACTED] charged internet fees incurred prior to the Program start date. As a result of this finding, we questioned a total of \$1,819 in ineligible costs from Finding No. 2022-02 in the *Schedule of Findings and Questioned Costs* section of this report.

**(C) Indirect Costs**

[REDACTED] reported a total of \$524,808 for Indirect Costs for the period of July 1, 2019, through February 28, 2022. The indirect costs associated with questioned costs identified in **Notes A and B** above resulted in total ineligible indirect costs of \$16,699.

Note	Questioned Costs	IDC Rate 2019	IDC Rate 2020-2022	Total Associated Indirect Costs
A	\$ 231,219	\$ [REDACTED] 4,735	\$ [REDACTED] 11,807	\$ 16,542
B	1,819	127	-	127
<b>Totals</b>	<b>\$ 233,038</b>	<b>\$ 4,862</b>	<b>\$ 11,807</b>	<b>\$ 16,669</b>

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<sup>2</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.





## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
[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] under United States Agency for International Development's Office of Foreign Disaster Assistance award agreement No. [REDACTED], Responding to Shelter and Water, Sanitation and Hygiene Needs of Returnees, Conflict, and Disaster Affected Populations, Whilst Increasing Evidence Based Humanitarian Programming in Afghanistan, for the period July 1, 2019 through February 28, 2022. We have issued our report thereon dated October 17, 2022 with an unmodified opinion.

### Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement, we considered [REDACTED] internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, we do not express an opinion on the effectiveness of [REDACTED] 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 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 have not been identified. During our audit, we did identify one deficiency in internal control that we consider to be significant deficiency as described in Finding No. 2022-01. We also identified two deficiencies in internal control as described in Finding No. 2022-02 and Finding No. 2022-03. See the accompanying *Schedule of Findings and Questioned Costs* section of this report.

## Response to Findings

response to the findings identified in our audit is included verbatim at the *Appendix A* section. 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 , the United States Agency for International Development's Office of 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  
October 17, 2022





## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors  
[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] under United States Agency for International Development's Office of Foreign Disaster Assistance award agreement No. [REDACTED], Responding to Shelter and Water, Sanitation and Hygiene Needs of Returnees, Conflict, and Disaster Affected Populations, Whilst Increasing Evidence Based Humanitarian Programming in Afghanistan, for the period July 1, 2019 through February 28, 2022. We have issued our report thereon dated October 17, 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 contract, noncompliance with which could have a direct and material effect on the determination of Special Purpose 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 non-compliance 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 Finding No. 2022-01, 2022-02, and 2022-03.

### [REDACTED] Response to Findings

[REDACTED] response to the findings identified in our audit is included verbatim at the *Appendix A* section. [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 compliance. Accordingly, this communication is not suitable for any other purpose.



## Restriction on Use

This report is intended for the information of [REDACTED] the United States Agency for International Development's Office of 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  
October 17, 2022

[REDACTED]

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

For the period July 1, 2019 through February 28, 2022

**Schedule of Findings and Questioned Costs**

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**Finding No. 2022-01: Costs benefiting multiple programs were allocated to the Program in excess of the proportional benefit**

**Nature of Finding:** Internal Control – Significant Deficiency and Non-Compliance

**Condition:** Conrad tested incurred costs transactions related to Salaries, Travel and Transport, Program Supplies and Equipment, Other Direct Costs, USAID Branding and Marking, and Contractual/Sub-Awards to determine if the costs incurred under the award were adequately supported, accurate, allowable, and properly approved. Our testing of transactions consisted of a judgmental sample selected from each of the following cost categories:

Cost Category	No. of Sampled Transactions	Value of Sampled Transactions	No. of Transactions in Population	Value of Transactions in Population
Salaries	1,446	\$ 591,185	12,658	\$ 2,732,192
Travel and Transport	24	24,727	235	80,662
Program Supplies and Equipment	35	1,050,529	2,835	3,442,616
Other Direct Costs ("ODC")	50	169,482	4,709	941,334
USAID Branding and Marking	3	2,360	25	3,704
Contractual/Sub-Awards	8	21,672	207	74,624

During on our testing, Conrad identified ineligible shared support costs that were incorrectly charged to the Program. [REDACTED] stated that they estimate allocated costs based on historical accounting records, market surveys, and past experience on similar activities carried out in the country of intervention. [REDACTED] finance team calculated two ratios: 1) Reference Ratio which is the share of the project within [REDACTED] Afghanistan/total direct costs of the mission and, 2) Support Ratio which is the share of support costs charged on the project on the total support costs incurred in [REDACTED] Afghanistan during the period of the project.

[REDACTED] performed a final ratio analysis for allocated costs at the close of the Program, which yielded a Reference Ratio of [REDACTED] and a Support Ratio of [REDACTED]. Based on our testing, we determined that the shared support costs charged to the Program at the Reference Ratio were not adjusted properly to the Support Ratio. As such, we noted that the shared support costs charged to the Program exceeded the proportional benefit and [REDACTED] overcharged the Program by \$231,219. See details on the following page.



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

For the period July 1, 2019 through February 28, 2022

**Schedule of Findings and Questioned Costs**

Cost Category	Transactions Impacted	Shared Costs Charged to Program	Shared Costs per Analysis	Variance
Salaries*	7,868	\$ 1,784,634	\$ 1,648,737	\$ 135,897
Travel and Transport*	235	80,662	57,907	22,755
Other Direct Costs ("ODC")	4,353	828,685	757,530	71,155
USAID Branding and Marking	5	[REDACTED]	2,190	159
Contractual/Sub-Awards	21	4,304	3,051	1,253
<b>Totals</b>	<b>12,482</b>	<b>\$ 2,700,634</b>	<b>\$ 2,469,415</b>	<b>\$ 231,219</b>

\* When separated by the cost categories on the SPFS, the difference between the estimated cost ratio and the final ratio of actual shared support costs incurred was not uniform, resulting in overcharged of incurred costs for each of the cost categories in the table above. The Program Supplies and Equipment line-item actual shared support costs incurred when applying the final ration resulted an undercharged of cost incurred or credit of \$15,321 in overall questioned costs. Upon further review, the underlying shared costs undercharged from the Program Supplies and Equipment category were closely related to Salaries and Travel and Transport costs, and as such, this credit was applied to the Salaries and Travel and Transport cost categories.

**Criteria:**

[REDACTED] costs allocation Principles & Methodology Memo, states in part:

*(iv) Direct Costs*

*A.2 Shared support costs*

*a. Definition*

*These are direct costs related to operational support functions ensuring the smooth conduct of field operations. They include:*

- National and international staff costs*
- Premises costs*
- Transportation costs*

*Unless specific cases such services benefit in the same degree to all the projects being implemented in a specific country.*

*b. Allocation methodology*

*The guiding principle for the allocation of shared costs is to maintain an equity between the different sources of funding which benefit from services from those shared functions...*

*iii. Reconciliation of support costs allocation to a project*

*At the end of the project, in the framework of the final financial report preparation, the Finance team must ensure that the principle of fair allocation basis has been respected.*

(Continued)

[REDACTED]

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

For the period July 1, 2019 through February 28, 2022

**Schedule of Findings and Questioned Costs**

---

*In order to do so, the Country Finance Manager calculates 2 Ratios:*

1. *The ratio of reference (R1), which is calculated by comparing the total direct costs incurred on the project to the total direct costs incurred by the mission over the project period.*
2. *The support costs ratio (R2), which is calculated by comparing the total support costs allocated to the project in the final report to the total support costs incurred on accounting codes +61/+62/+63/+64 on the mission during the project period.*

*Both ratios are then compared:*

*If Ratio A <= Ratio B: the fair allocation basis has been respected: no action is required  
If Ratio A > Ratio B: the project has been overcharged. Adjustments and reallocations are required to respect the fair allocation basis principle..."*

**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:*

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*
- (g) Be adequately documented..."*

**2 CFR 200.404, Reasonable costs**, states in part:

*"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:...*

*(c) Market prices for comparable good or services for the geographic area...*

*(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."*

**2 CFR 200.405, Allocable costs**, states in part:

(Continued)

[REDACTED]

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

For the period July 1, 2019 through February 28, 2022

**Schedule of Findings and Questioned Costs**

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*“(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:*

- (1) Is incurred specifically for the Federal award;*
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart...*

*...(d) Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit...”*

**Cause:** [REDACTED] did not adhere to its own cost allocation principles and methodology. [REDACTED] explained that this award required a high level of support because the activities--shelter rehabilitations and water, sanitation and hygiene activities-- are considered “hard” programming, requiring significant effort from the support team in comparison to other projects carried out by [REDACTED]. [REDACTED] carried out other activities in Afghanistan, which it considered to be far less challenging and involved far less attention from the support team. As a result, [REDACTED] stated, required support ratios could not be balanced in accordance with internal guidance wherein support costs must be fairly distributed amongst projects and charged in accordance with relative benefits received. [REDACTED] acknowledged that the support ratio exceeded the reference ratio for this award but stated that the disparity is reasonable and justified.

**Effect:** [REDACTED] lack of adherence to their costs allocation principles and methodology caused the U.S. Government to fund items that should not have been funded and inappropriately inflated costs charged to the award.

**Questioned Costs:** We identified \$247,761 in total ineligible questioned costs, which \$16,542 represents associated indirect costs.

**Recommendation:**

- (1) We recommend that [REDACTED] either provide USAID/OFDA with support evidencing the adjustment and reallocations of the questioned shared support costs or return \$247,761 in ineligible costs.
- (2) We recommend that [REDACTED] develop additional procedures to ensure they adhere to its cost allocation principles and methodology and Federal regulations and ensure shared support costs are allocated to projects based on the final proportional benefit analysis performed.

(Continued)



[REDACTED]

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

For the period July 1, 2019 through February 28, 2022

**Schedule of Findings and Questioned Costs**

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**Finding No. 2022-02: [REDACTED] incorrectly charged ineligible travel and internet costs to the Program**

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

**Condition:** Conrad tested 24 out of 235 Travel and Transport and 50 out of 4,709 Other Direct Costs transactions to determine if the costs incurred under the award were adequately supported, accurate, allowable, and properly approved.

During our testing, we noted the following ineligible costs were charged to the award:

- 1) In one (1) instance, an employee purchased a train ticket for a certain date and time but then later cancelled this ticket and purchased another ticket for an earlier time for the same day. Based on our testing and inquiry with [REDACTED], it was confirmed that the cost for the cancelled ticket was not reimbursed back to the Program. This resulted in an overcharge of \$130.
- 2) In one (1) instance, an employee purchased airfare, which consisted of three separate trip segments and the entire cost was allocated to the Program. Based on our testing and inquiry with [REDACTED], it was confirmed that a portion of the cost should have been allocated to another program. This resulted in an overcharge of \$1,404.
- 3) In one (1) instance, [REDACTED] charged the Program for internet fees incurred from June 10, 2019 through June 30, 2019, which was prior to the Program start date. This resulted in an overcharge of \$285.

**Criteria:**

**Mandatory Standard Provisions for Non-U.S. Nongovernmental Organizations of Award Agreement, Section 1 – Allowable Costs,** 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...*

*b. It is the recipient's responsibility to ensure that costs incurred are in accordance with the applicable cost principles, meaning the costs are (1) reasonable: costs which are generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business; (2) allocable: incurred specifically for this award; and (3) allowable: conform to any limitations in this award...”*

(Continued)

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

For the period July 1, 2019 through February 28, 2022

**Schedule of Findings and Questioned Costs**

---

**[REDACTED] Finance Procedures Manual, Section 5.2.1 – Eligibility**, states in part:

*“Nature of expenses*

*... CFMs are guarantors that only eligible expenses are accounted for [REDACTED] projects. If any doubt about expenses eligibility, Finance Director at HQ should be contacted.*

*Date of Expenses:*

*A particular attention will be paid to the dates of expenses.*

*No expense prior to the starting date of a project can be accounted to this project, in any case...”*

**[REDACTED] Project Management Handbook, Section 4.10 – Compliance**, states in part:

*“The Project Manager and indeed all [REDACTED] staff are supported in ensuring compliance by the Transparency and Compliance Team, whose job is to add a second layer of control to ensure compliant implementation and operation, and act as interface between [REDACTED] and external auditors. There are three key processes the Project Manager can oversee to ensure compliance:*

- 1. Respecting [REDACTED] procedures in all aspects of implementation;*
- 2. Respecting donor procedures in all aspects of implementation;*
- 3. Promoting transparency and accountability.*

*Costs associated with actions that are not compliant are at risk of being ineligible when the project is audited. This means there is a risk that [REDACTED] has to reimburse the donor money associated to ineligible actions and loss of donor confidence...”*

**[REDACTED] Project Management Handbook, Section 4.10.2 – Respecting Donor Procedures**, states:

*“The kick-off meeting is the best time to outline any aspects of donor procedures that will impact implementation. In any case, it is highly recommended that the Project Manager reads carefully the contract [REDACTED] has signed with the donor as requirements can change from one donor to another. It is also important to liaise with the Project Development Unit for any advice on donor guidelines in case of doubt.”*

**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:*

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*
- (g) Be adequately documented;”*

(Continued)

[REDACTED]

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

For the period July 1, 2019 through February 28, 2022

**Schedule of Findings and Questioned Costs**

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**2 CFR 200.405, Allocable costs**, states in part:

*“(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:...*

*(1) Is incurred specifically for the Federal award;*

*(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*

*(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart...*

*(d) Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit...”*

**Cause:** [REDACTED] did not adhere to the donor’s allowable cost procedures by not performing adequate review procedures that would have prevented charging ineligible costs for cancelled travel charges, ineligible travel allocation costs, and costs incurred prior to the period of performance.

**Effect:** [REDACTED] charged the U.S. Government for costs that were ineligible to the program that should have been shared among other [REDACTED] awards. The lack of adequate review controls to ensure expenses are both allowed and properly allocated resulted in U.S. Government funds not being used for the intended purpose.

**Questioned Costs:** We identified \$1,946 in total ineligible questioned costs, which \$127 represents associated indirect costs.

**Recommendation:**

- 1) We recommend that [REDACTED] return \$1,946 in ineligible costs back to USAID.
- 2) We recommend that [REDACTED] develop and implement additional review procedures to ensure compliance with donor allowable cost procedures that will prevent duplicate charges, inaccurate travel cost allocations, and charging costs incurred prior to the period of performance.

[REDACTED]

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

For the period July 1, 2019 through February 28, 2022

**Schedule of Findings and Questioned Costs**

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**Finding No. 2022-03:** [REDACTED] did not adhere to its internal policies relating to bi-annual employee appraisals

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

**Condition:** Conrad reviewed 68 National Employee personnel files out of a population of 333 to determine if all required information was documented in accordance with [REDACTED] required policies and procedures. Based on our review, we noted that [REDACTED] was unable to provide bi-annual employee appraisals, which constitute a formal evaluation, and salary determination.

**Criteria:**

[REDACTED] **Human Resources Manual, Section 5.3.2 – Appraisals**, states in part:

***Principles & objectives***

- *The appraisal process enables the supervisor and the salaried staff to reflect on the salaried staff's work, focus on areas that need improvement, and devise strategies to help the salaried staff improve his/her performance...*

***Bi-annual appraisals***

- *All salaries will be determined and reviewed on a fixed bi-annual basis to avoid ad hoc requests for salary increases. Salary reviews will be conducted in June for all staff with a view to becoming effective on July 1st. A second review will take place in December with a view to be effective on January 1st. Outside of these fixed dates no increase of salary can be taken into consideration.*
- *Salaried staff should be appraised by their line manager, according to the reporting lines in place. HR/Administration will manage the procedure and Country Director will approve each appraisal.*
- *Ad hoc appraisals: outside these fixed dates, ad hoc appraisal and salary review can take place only after validation of Country Director. These appraisals must be endorsed by the Country Director before being implemented."*

**Cause:** [REDACTED] did not adhere to their Human Resource Manual in conducting bi-annual appraisals. [REDACTED] stated that the deviation was due to the Covid-19 situation and security constraints, which forced changes in their procedures and set-ups in Afghanistan. As a result, some human resource processes such as bi-annual appraisals, were not performed.

**Effect:** Non-performance of the appraisal process as described in the human resources manual can potentially lead to a lack of transparency between management and staff, and hinder staff development.

**Questioned Costs:** [REDACTED] was able to provide all other relevant support documentation for these files and transactions to corroborate the validity of the costs. As such, there are no questioned costs.

(Continued)

[REDACTED]

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

For the period July 1, 2019 through February 28, 2022

**Schedule of Findings and Questioned Costs**

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**Recommendation:**

- (1) We recommend that [REDACTED] perform appraisals in accordance with their human resources manual and develop alternative processes surrounding performance of bi-annual appraisals when extraordinary events transpire.



[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

**Status of Prior Audit Findings**

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We requested prior audit reports from [REDACTED], SIGAR, and conducted additional research for any prior engagements including audits, reviews, and evaluations pertinent to [REDACTED] activities. We identified one prior audit report which contained four findings that could have material effect on the SPFS and other financial data significant to the audit objectives. We conducted review procedures which included a follow up discussion with [REDACTED] management, as well as conducting similar tests surrounding the identified areas during our current audit. Based on our review and discussions with [REDACTED] we have confirmed that [REDACTED] had taken adequate corrective action on all four findings. We have summarized the results of our procedures below:

**Report: SIGAR Financial Audit Report of costs incurred under Cooperative Agreement No. [REDACTED] in support of USAID/OFDA's Emergency Water, Sanitation, and Hygiene ("WASH") program for the period of December 1, 2017 through August 31, 2019:**

**Finding 2019-01:** Notification of Budget Deviations Not Made to USAID – There were budget overages and these deviations were not reported to USAID. There were no questioned costs.

**Status:** [REDACTED] disagreed with this finding and stated that the notification of the actual costs that were deviated from the approved budget from [REDACTED] to USAID is not required as per "article b) 3) Prior approval not required for transferring Funds among Direct Cost categories by more than 10% of Total estimated amount" of the grant agreement. Therefore, [REDACTED] believed that the Grant Agreement had been respected and requested that the auditors remove this finding from the audit report. Based on our testing for this engagement, we did note both overspending and underspending in the respective cost categories, but the net effect did not exceed 10% of the total estimated costs. As such, this issue was not repeated under this audit.

**Finding 2019-02:** [REDACTED] Did Not Retain Supporting Documentation for Amounts Requested for Reimbursement on Standard Form 270 – Auditor noted that [REDACTED] did not retain supporting documentation to identify the transactions included within each funding request, to document the estimates used to demonstrate amounts requested represent only immediate cash needs, or to determine that the indirect cost calculations were consistent with the provisions of the Negotiated Indirect Cost Rate Agreement ("NICRA"). There were no questioned costs.

**Status:** [REDACTED] disagreed with the finding based on its belief that retention of documentation supporting the Standard Form 270, Request for Advance or Reimbursement, is not required. [REDACTED] further stated that pre-financing requests are built on the basis of the expenses and forecasts present in the Budget Follow-up compared to the payments already obtained and that [REDACTED] keeps track of fund received and spent on the project as required by the Grant Agreement. Based on our testing for this engagement, this issue was not repeated.

**Finding 2019-03:** Late Submission of Financial and Program Reports – Auditor noted that [REDACTED] submitted some financial and performance reports after the due date. There were no questioned costs.

**Status:** [REDACTED] agreed with the finding stating that it would do everything in its capacity to ensure the timely submission of reporting requirements for ongoing and upcoming projects and created a tool called

[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

**Status of Prior Audit Findings**

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the [REDACTED] to facilitate tracking deadlines and ensure that everybody in the organizational chain has at its disposal the same level of information. Based on our testing for this engagement, this issue was not repeated.

**Finding 2019-04:** Lost Cell Phone No Longer Benefitting the Program – Auditor noted that two cellular phones reported as lost were being charged to the project when the cost was no longer allocable to the award.

**Status:** [REDACTED] agreed with the finding and stated that they would liaise with USAID regarding the reimbursement. Based on our testing for this engagement, this issue was not repeated. However, we did note issues regarding the allocation of shared support costs at Finding No. 2022-01 and ineligible travel and other direct costs at Finding No. 2022-02 of this audit report.

[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

[REDACTED] **Response to Audit Findings**

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[REDACTED] consolidated management responses to audit findings identified in this report are included on the following pages:

**Management Responses:**

**Finding 2022-01: Costs benefiting multiple programs were allocated to the Program in excess of the proportional benefit**

would like to contest this finding by providing further inputs and explanations on ratios calculation.

estimates costs based on historical accounting records, market surveys and past experience on similar activities carried out in the country of intervention. Costs allocation is monitored through the allocation tables and ratios. Ratios are prepared at the end of the project to ensure that the principle of equity in the distribution of the support costs has been respected all along the implementation of the project. Finance team calculated 2 ratios: 1) reference ratio which is the share of the project within Afghanistan/total direct costs of the mission, 2) Support ratio which is the share of support costs charged on the project on the total support costs incurred in Afghanistan during the period of the project. ensures that both ratios are quite equivalent.

Finance team conducted a more in-depth, further analysis of support costs which led to revise the initial version of ratios (v3 – Annex 1 attached) so that it better reflects the shared costs charged in accordance with relative benefits received. This version shows that the share of the project’s support costs within Afghanistan is lower than the share of the project’s budget within the mission, as shown below:

You will find below the details of the methodology used to update these ratios.

BUDGET ACTUAL + without LIQUIDATION PERIOD	
Consolidated Ratio	
Share of Budget within Afghanistan	
Currency - USD	01/07/2019 - 28/02/2022
Total Costs Afghanistan	64 306 586
Costs	7 275 131
Share of project	
Consolidated Ratio	
Share of Support Costs within Afghanistan	
Currency - USD	01/07/2019 - 28/02/2022
Total Costs Afghanistan	23 246 132
Costs	2 413 404
Share of project	

Firstly, it has to be noted that the ratios are developed using the accounting code of the expenditures. has a standard accounting charter in which most of the expenditures considered support are recorded under the codes +63 Missions running costs, +64 Transport-freight-storage. In addition, specific accounting codes dedicated to the support staff enable to separate the support staff from the program staff under the categories +61 Expatriates and +62 Domestic staff salaries. While creating the ratios, all the expenditures recorded under these accounting codes are captured. However, it has to be highlighted that there are no specific accounting codes related to the support expenditures which are specifically incurred for the project’s needs and as such should be fully allocated to the project and cannot be considered as shared costs. Such expenditures are assigned to the accounting codes dedicated to support costs and then are captured in the portion of the support expenditures charged to the project in the ratio. In order to take this parameter into consideration, an in-depth review of the support costs charged to the award has been performed so that it allows to 1) exclude the non-shared

(Continued)



costs from the calculation, 2) provide ratios which only include costs which are partially and proportionally benefiting to the program.

This analysis enables [REDACTED] to make 2 adjustments:

- 1) The major portion of the expenses exceeding the budget on this chapter mostly relates to the program staff, fully dedicated to the project, and the dedicated support staff based in [REDACTED] and [REDACTED], both offices being fully or largely devoted to this award.

Indeed, the contribution of these 2 offices over the project duration to this award specifically, excluding Program costs, is significant (i.e the 2 offices were fully dedicated to the project at 78.32% over the duration of the project). For instance, it has to be noted that [REDACTED] and [REDACTED] offices were entirely dedicated (100%) to this project in the months from July to Oct. 2019; April 2020, January to March 2021 and over 90% in the months from Nov to Dec 2019, March 2020, May to June 2020, Nov 2020 and May 2021. This portion of the costs almost fully dedicated to the project which were charged and reported to the award was excluded from the calculation of the ratios so that shared costs are distributed in proportions of the efforts delivered and benefits received. Please refer to the tab « Support dedicated ratio » in *Annex 1* for the details of this computation of this ratio and the expenses allocated to the project. You can also refer to *Annex 2* for more details on the allocation of both offices per period.

- 2) Our expenditure analysis enables to identify Program costs that shall be excluded from ratios calculation. As mentioned above, these expenditures were charged to “support” accounting codes which are actually Program-related and thus fully dedicated to the award. [REDACTED] wants to precise that this is linked to the design of the Accounting Chart that doesn’t allow this level of details as it stands. These costs were then removed from the accounting codes +61 Expatriates and +63 Missions running codes. On the expatriates' costs, expenditures related to program staff such as assessment officers, AME officers, research managers were flagged and taken out from the shared support costs. On the missions running costs, expenditures related to the activities such as refreshments and accommodation for training to beneficiaries, accommodation for field mission in the frame of data collection, phone credits for the data collection of this project were flagged and taken out from the shared support costs. Therefore, both ratios 1 and 3 decrease (as shown below), bringing the new overall ratio of the share of support costs to [REDACTED].

RATIO 1	
"Share of project expatriate staffs' salaries and other costs outside international travel within [REDACTED] & SJ\$4	
Currency - USD	01/07/2019 - 28/02/2022
Total Costs Afghanistan	6 500 936
Costs [REDACTED]	768 086
Share of [REDACTED] project	11,82%

RATIO 3	
Share of project Running Costs within [REDACTED] Afghanistan	
Currency - EUR	01/07/2019 - 28/02/2022
Total Costs Afghanistan	4 346 979
Costs [REDACTED]	519 217
Share of [REDACTED] project	11,94%

[REDACTED] would like also to reiterate that the financial report fully complies with the donor’s budget flexibility rules. Indeed, the actual spending reported on the personal costs chapter remain largely within the authorized variation by BHA (e.g., **flexibility of 10% of the overall budget per chapter** so the variation authorized on this chapter was +\$780,000), and that activities well successfully implemented thanks to the hard work of [REDACTED] teams on the ground and despite peculiar conditions linked to the context of Afghanistan.

(Continued)



Considering the revised ratios provided and [REDACTED] compliance with the aforementioned flexibility rules, [REDACTED] kindly asks auditors to reconsider this finding.

**Finding 2022-02: [REDACTED] incorrectly charged ineligible travel and internet costs to the Program**

[REDACTED] agrees with this finding, will liaise with USAID regarding the reimbursement and will work on preventing similar issues in the future.

**Finding 2022-03: [REDACTED] did not adhere to its internal policies relating to bi-annual employee Appraisals**

[REDACTED] agrees with this finding. As explained to the auditors during the audit fieldwork, the reasons for which [REDACTED] was unable to provide bi-annual employee appraisals is threefold:

- The change of regime in Afghanistan in August 2021 has implied managerial changes that have had an impact on the management of teams in the field, which has delayed appraisals.
- The security situation has also complicated the movement of staff to the office and the composition of teams impacted by the restrictions of the new general context.
- The COVID pandemic also impacted the implementation of some appraisals over the past two years.

Evaluations which have been delayed are scheduled to take place before the end of 2022.

# ANNEX 1

# APPENDIX A



DIRECT COST PROJECT  
 Project  
 Starting date  
 Until :  
 Ending Liquidation

7,275,131  
 7/1/2019  
 2/28/2022  
 2/28/2022

: Ratios

BUDGET ACTUAL + without LIQUIDATION PERIOD	
Consolidated Ratio	
Share of Budget	
Currency - USD	01/07/2019 - 28/02/2022
Total Costs Afghanistan	64,306,586
Costs	7,275,131
Share of project	

Consolidated Ratio	
Share of Support Costs within	
Currency - USD	01/07/2019 - 28/02/2022
Total Costs Afghanistan	23,246,132
Costs	

RATIO 1	
"Share of project expatriate staffs' salaries and other costs outside international travel within	
Currency - USD	01/07/2019 - 28/02/2022
Total Costs Afghanistan	6,500,936
Cost	768,086
Share of project	

RATIO 2	
Share of project National Staff Cost within	
Currency - USD	01/07/2019 - 28/02/2022
Total Costs Afghanistan	10,911,567
Costs	972,100
Share of project	8.91%

RATIO 3	
Share of project Running Costs within	
Currency - USD	01/07/2019 - 28/02/2022
Total Costs Afghanistan	4,346,979
Costs	519,217
Share of project	11.94%

RATIO 4	
Share of project Transport Freight Stockage within Afghanistan	
Currency - USD	01/07/2019 - 28/02/2022
Total Costs Afghanistan	1,486,650
Costs	154,001
Share of project	10.36%

**Annex 2 – Allocation of [REDACTED] offices per period**

- 100% dedicated to the implementation of the award [REDACTED] from 07 to 10/2019; 04/2020; from 01 to 03/2021
- 99% > x > 90% dedicated to the implementation of the award [REDACTED]: from 11 to 12/2019; 03/2020; from 05 to 06/2020; 11/2020; 05/2021
- 90% > x > 78% dedicated to the implementation of the award [REDACTED]: 02/2020; 07/2021; from 09 to 10/2020; 12/2020; from 04 to 06/2021; 09/2021
- 78% > x dedicated to the implementation of the award [REDACTED]: 01/2020; 08/2020; from 07 to 08/2021; from 10 to 12/2021; from 01 to 02/2022

(Continued)

[REDACTED]

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

For the period July 1, 2019, through February 28, 2022

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

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[REDACTED] disagreed with Finding No. 2022-01 and agreed with Finding Nos. 2022-02 and 2022-03. We have reviewed [REDACTED] responses and have the following rebuttals:

- (1) **Finding No. 2022-01:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] contests the finding and requests that the auditor reconsider the finding based on their performance of an additional review of its support cost allocation tables and ratios related to Afghanistan. This additional review performed by [REDACTED] resulted in a new support ratio of [REDACTED] which was [REDACTED] lower than the reference ratio of [REDACTED] and concluded that support costs charged to the award were lower than their proportional benefit. Additionally, [REDACTED] reiterated that they are in compliance with the donor's 10% of the overall budget flexibility rules.

**Auditor Rebuttal:** During our audit fieldwork, [REDACTED] submitted an initial shared cost analysis and then provided a final updated analysis prior to the conclusion of fieldwork. Conrad reviewed the final analysis and identified adjustments that would need to be made based on the support reviewed, which [REDACTED] agreed with. The final adjusted analysis resulted in a support ratio of [REDACTED] which was 1.00% higher than the reference ratio of [REDACTED]. [REDACTED] did not communicate that there were any further adjustments to the final analysis at the conclusion of fieldwork.

Although [REDACTED] performed a subsequent analysis which resulted in a favorable revised support cost ratio, which suggests that shared support costs were equitably charged to the award. However, Conrad is unable to fully verify the accuracy of this revision at this stage of the engagement process as the testing phase has been concluded and there would be a need to conduct an appropriate review of support documentation. Additionally, this specific finding is not in direct correlation with whether or not the overall budget exceeded the 10% threshold per 2 CFR 200.308, rather the finding addresses the allowability of the costs to conform to any limitations or exclusions set forth in the regulations, policies, or award. Had [REDACTED] conducted this detailed shared support cost analysis prior to closing out the award, such support would have been considered. As such, our finding and recommendations remain unchanged.

- (2) **Finding No. 2022-02:** [REDACTED] agreed with the finding and recommendation. [REDACTED] stated that it will work with USAID regarding the reimbursement and will work internally to prevent similar issues in the future.

**Auditor Rebuttal:** No further comment is deemed necessary as [REDACTED] agreed with the finding and recommendation.

- (3) **Finding No. 2022-03:** [REDACTED] agreed with the finding; however, did not comment on the recommendation. [REDACTED] indicated that bi-annual employee appraisals were not performed due to the regime change, security, and pandemic-related complications. [REDACTED] further indicated that evaluations that have been delayed are scheduled to take place prior to the end of 2022.



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

For the period July 1, 2019, through February 28, 2022

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

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**Auditor Rebuttal:** We concur with scheduled evaluations and the cited complications are well noted; however, we continue to recommend that [REDACTED] develop alternative processes surrounding performance of bi-annual appraisals when extraordinary events transpire.



## SIGAR's Mission

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## SIGAR's Mission

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