

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 23-28 Financial Audit

USAID's Capacity Building Activity for the
Former Afghan Government's Ministry of
Education: Audit of Costs Incurred by
Chemonics International Inc.

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



JUNE
2023

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On February 1, 2017, the U.S. Agency for International Development (USAID) Mission to Afghanistan awarded a 5-year, \$23,212,618 combination contract to Chemonics International Inc. (Chemonics). It was a \$19,960,364 cost-plus-fixed-fee completion type contract and a \$3,252,254 single-award indefinite delivery/indefinite quantity-type contract. The purpose of the contract was to implement a capacity-building activity for the former Afghan government's Ministry of Education (MOE). The activity's objectives were to improve educational services and build greater transparency and accountability of MOE systems. USAID modified the contract 12 times; the modifications did not affect the total award amount, but the period of performance changed to January 10, 2022.

SIGAR's financial audit, performed by Davis Farr LLP (Davis Farr), reviewed \$1,754,471 in costs charged to the contract from February 1, 2021, through January 10, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Chemonics's internal controls related to the contract; (2) identify and report on instances of material noncompliance with the contract terms and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Chemonics has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Chemonics's Special Purpose Financial Statement (SPFS). See Davis Farr's report for the precise audit objectives.

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

June 2023

USAID's Capacity Building Activity for the Former Afghan Government's Ministry of Education: Audit of Costs Incurred by Chemonics International Inc.

SIGAR 23-28-FA

WHAT SIGAR FOUND

Davis Farr identified one deficiency in Chemonics's internal controls and one instance of noncompliance with the terms of the contract. Specifically, the auditors found that Chemonics could not provide documentation to support 9 of 143 tested travel transactions, resulting in unsupported travel costs charged to the contract. SIGAR notified Chemonics of this issue prior to publication of this report.

Because of the deficiency in internal controls and the instance of noncompliance, Davis Farr identified \$2,132 in total questioned costs, consisting entirely of unsupported costs—costs not supported with adequate documentation or that do not have required prior approval. Davis Farr did not identify any ineligible costs—costs prohibited by the contract and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$0	\$█	\$█
Indirect Costs	\$0	\$█	\$█
Total Costs	\$0	\$2,132	\$2,132

Davis Farr identified five prior audit reports that were relevant to Chemonics's contract. Those reports contained nine findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Davis Farr conducted follow-up procedures and concluded that Chemonics had taken adequate corrective action on eight of the findings and recommendations. However, one of the prior findings was repeated under this audit.

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

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends the responsible contracting officer at USAID:

1. Determine the allowability of and recover, as appropriate, \$2,132 in questioned costs identified in the report.
2. Advise Chemonics to address the report's internal control finding.
3. Advise Chemonics to address the report's noncompliance finding.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

June 29, 2023

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

Mr. Sean Callahan
Mission Director, U.S. Agency for International Development

We contracted with Davis Farr LLP (Davis Farr) to audit the costs incurred by Chemonics International Inc. (Chemonics) under a U.S. Agency for International Development (USAID) combination cost-plus-fixed-fee completion-type contract and single-award indefinite delivery/indefinite quantity-type contract to implement a capacity-building activity for the former Afghan government's Ministry of Education (MOE).¹ The activity's objectives were to improve educational services and build greater transparency and accountability MOE systems. Davis Farr reviewed \$1,754,471 in costs charged to the contract from February 1, 2021, through January 10, 2022. Our contract with Davis Farr 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 contracting officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$2,132 in questioned costs identified in the report.**
- 2. Advise Chemonics to address the report's internal control finding.**
- 3. Advise Chemonics to address the report's noncompliance finding.**

Davis Farr discusses the results of the audit in detail in the attached report. We reviewed Davis Farr's report and related documentation. We also inquired about Davis Farr's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Chemonics's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Davis Farr is responsible for the attached auditor's report, dated June 2, 2023, and the conclusions expressed therein. However, our review disclosed no instances where Davis Farr 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, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-251)

¹ The contract number is AID-306-C-17-00005.

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

For the period February 1, 2021 through January 10, 2022

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

For the period February 1, 2021 through January 10, 2022

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June 2, 2023

Enclosed is the final report on the audit of the Special Purpose Financial Statement by Chemonics International Inc. (Chemonics) under United States Agency for International Development (USAID) Contract No. AID-306-C-17-00005 to support the Capacity Building Activity Program in Afghanistan. The audit covers the period February 1, 2021 through January 10, 2022.

Included within the final report is a summary of the work performed, our report on the Special Purpose Financial Statement, report on internal control and report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback and interpretations from Chemonics, the Special Inspector General for Afghanistan Reconstruction and USAID. There were questioned costs identified as a result of our audit.

Sincerely,

DAVIS FARR LLP



Marcus D. Davis, CPA
Partner

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

For the period February 1, 2021 through January 10, 2022

Background

On February 1, 2017, the United States Agency for International Development (USAID) awarded Contract No. AID-306-C-17-00005 (Contract) to Chemonics International, Inc. (Chemonics) to implement a Capacity Building Activity (CBA) for the Afghan Ministry of Education (MOE). The CBA includes two performance objectives: (1) improved MOE systems and procedures that lead to better provision of education services; and (2) greater transparency and accountability of national and subnational MOE systems.

The Contract is a combination award consisting of a cost plus fixed fee (CPFF) completion type contract, and a single-award indefinite delivery indefinite quantity (IDIQ) type contract. The CPFF portion of the contract was awarded in the amount of \$19,960,364, consisting of [REDACTED] in cost and [REDACTED] in fixed fee. The IDIQ portion of the contract was awarded in the amount of \$3,252,254, consisting of a total estimated ceiling cost of [REDACTED] in fixed fee. The initial period of performance was February 1, 2017 through January 31, 2022. The Contract was modified twelve times with no effect on the award amount. However, the Contract period of performance was revised to January 10, 2022.

Chemonics was founded in 1975 and is a for-profit consulting company based in Washington, DC. **Chemonics' mission is to promote meaningful change around the world, helping people live healthier, more productive, and more independent lives.**

Work Performed

Davis Farr LLP (Davis Farr) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct an **audit of Chemonics' Special Purpose Financial Statement (SPFS)** for the Contract for the period February 1, 2021 through January 10, 2022. This represents a closeout audit. The total costs reported by Chemonics was \$1,754,471.

Objectives, Scope, and Methodology

Objectives Defined by SIGAR

The objectives of the audit include the following:

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

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

For the period February 1, 2021 through January 10, 2022

- *Compliance* – Perform tests to determine whether Chemonics complied, in all material respects, with the Contract requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Contract 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 Chemonics 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

Total costs plus fixed fee incurred for the period February 1, 2021 through January 10, 2022 was \$1,754,471, consisting of [REDACTED] in cost reimbursement and [REDACTED] in fixed fee. The scope of this audit included the total costs plus fixed fee of \$1,754,471. The period of performance of the Contract is complete. Our testing of the indirect cost rates was limited to verifying that the rates were calculated using the rates identified in the Negotiated Indirect Cost Rate Agreement (NICRA) approved by USAID.

Methodology

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

Entrance Conference

An entrance conference was held via Zoom on September 15, 2022, with representatives of Davis Farr, Chemonics, SIGAR and USAID in attendance.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of Chemonics;
- Reviewed the Contract and all modifications to date;
- Reviewed sections of the Federal Acquisition Regulation (FAR) and the USAID Acquisition Regulation (AIDAR), as applicable to the Contract;
- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques. According to the 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, moderate, or low risk for inclusion in our test

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

For the period February 1, 2021 through January 10, 2022

of transactions. All samples were selected on a judgmental basis. Our sampling methodology was as follows:

- o For accounts that appear to contain unallowable and restricted items according to the terms of the Contract, FAR Part 31, AIDAR and any other applicable regulations, we sampled 100% of the transactions.
- o For high risk cost categories, we sampled transactions greater than \$8,700, and additional transactions below \$8,700 to ensure that at least 50% of the total amount expended for each cost category was sampled.
- o For moderate risk categories, we sampled transactions greater than \$17,400, and additional transactions below \$17,400 to ensure at least 20% of the total amount expended for each cost category was sampled.
- o For low risk categories, we sampled transactions to ensure at least 10% of the costs for each low risk cost category was sampled. No sample was selected for indirect costs as we tested the proper application of indirect cost rates. This included reviewing the **NICRA to ensure that Chemonics' indirect costs did not exceed the approved rates.** Additionally, no sample was selected for the fixed fee as we tested the proper application of the fixed fee.

Internal Control Related to the SPFS

We reviewed Chemonics' internal control related to the SPFS. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. We corroborated internal control identified by Chemonics and conducted testing of select key controls to understand if they were implemented as designed and operating effectively.

Compliance with Contract Requirements and Applicable Laws and Regulations

We reviewed the Contract and modifications and documented all compliance requirements that could have a direct and material effect on the SPFS. We assessed inherent and control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance with the Contract requirements and laws and regulations.

Corrective Action on Prior Findings and Recommendations

We reached out to SIGAR, Chemonics and USAID and requested all reports from previous engagements, as well as searched publicly available information for other reports, in order to evaluate the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

For the period February 1, 2021 through January 10, 2022

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Contract, modifications and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Contract, and reasonable. If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Partner as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

Exit Conference

An exit conference was held on February 10, 2023 via Zoom. Participants included representatives from Davis Farr, Chemonics, SIGAR and USAID. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

Summary of Results

Our audit of the costs incurred by Chemonics under the Contract with USAID identified the following results:

Auditor's Opinion on SPFS

We issued an unmodified opinion on the fairness of the presentation of the SPFS. We identified \$2,132 in total questioned costs which entirely consist of unsupported costs. A summary of findings and questioned costs is described in the next section.

Summary of Findings and Questioned Costs

Finding Number	Nature of Finding	Issue	Questioned Costs	Cumulative Questioned Costs
2022-001	Internal control – deficiency Noncompliance	Unsupported travel costs	\$2,132	\$2,132

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

For the period February 1, 2021 through January 10, 2022

Internal Control Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered Chemonics' **internal control over financial reporting and performed** tests of those controls. The results of our tests disclosed one internal control weakness required to be reported under *Government Auditing Standards*, which is considered to be a deficiency. See **Independent Auditor's Report on Internal Control on page 15**.

Compliance Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of Chemonics' **compliance with certain provisions of the** Contract and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed one instance of noncompliance **related to this audit**. See **Independent Auditor's Report on Compliance on page 17**.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Evidence of such items was not identified by our testing.

Review of Prior Findings and Recommendations

We requested from Chemonics, SIGAR and USAID copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to Chemonics' **activities under the** Agreement. We identified nine audit reports, five of which contained nine findings that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We performed follow-up procedures, tested transactions, and reviewed documentation to determine if these issues occurred under our audit. Accordingly, we have concluded that Chemonics has taken adequate corrective actions on eight of the nine findings. See the Status of Prior Findings on page 19 for a detailed description of the prior findings and recommendations.

Summary of the Chemonics' Responses

The following represents a summary of the responses provided by Chemonics to the finding identified in this report. The complete response received can be found in Appendix A to this report. Chemonics agreed with Finding 2022-001 that nine travel transactions were unsupported.

References to Appendices

The **auditor's reports** are supplemented by two appendices, Appendix A, which contains management's responses to the audit findings, and Appendix B, which contains the auditor's rebuttal to management's comments.

**INDEPENDENT AUDITOR'S REPORT
ON SPECIAL PURPOSE FINANCIAL STATEMENT**

Chemonics International Inc.
1275 New Jersey Avenue SE, Suite 200
Washington, D.C. 20003

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

Report on the Audit of the Special Purpose Financial Statement

Opinion

We have audited the Special Purpose Financial Statement of Chemonics International Inc. (Chemonics) under Contract No. AID-306-C-17-00005 (Contract) with the United States Agency for International Development (USAID) to implement a Capacity Building Activity for the Afghan Ministry of Education for the period February 1, 2021 through January 10, 2022, and the related notes to the Special Purpose Financial Statement.

In our opinion, the accompanying Special Purpose Financial Statement presents fairly, in all material respects, the respective revenue received and costs incurred by Chemonics under the Contract for the period February 1, 2021 through January 31, 2022 in accordance with the basis of accounting described in Note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Chemonics and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 methods of preparation described in Note 2, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Special Purpose Financial Statement that is free from material misstatement, whether due to fraud or error.

Chemonics International Inc.
1275 New Jersey Avenue SE, Suite 200
Washington, D.C. 20003

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

In preparing the Special Purpose Financial Statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial **doubt about Stanford's ability to continue as a going concern** for the later of twelve months beyond the Special Purpose Financial Statement date or the end of the period of performance of the Contract.

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the 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 Chemonics' **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 Special Purpose Financial Statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Chemonics'** ability to continue as a going concern for a reasonable period of time.

Chemonics International Inc.
1275 New Jersey Avenue SE, Suite 200
Washington, D.C. 20003

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

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

Restriction on Use

This report is intended for the information of Chemonics, USAID, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 USC 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 10, 2023 on our consideration of Chemonics' **internal control over financial reporting and** on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Chemonics' **internal control over financial reporting and compliance**.

Dawn Furr LLP

Irvine, California
May 10, 2023

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Notes to Special Purpose Financial Statement¹

For the period February 1, 2021 through January 10, 2022

(1) Background

On February 1, 2017, the United States Agency for International Development (USAID) awarded Contract No. AID-306-C-17-00005 (Contract) to Chemonics International, Inc. (Chemonics) to implement a Capacity Building Activity (CBA) for the Afghan Ministry of Education (MOE). The CBA includes two performance objectives: (1) improved MOE systems and procedures that lead to better provision of education services; and (2) greater transparency and accountability of national and subnational MOE systems.

The Contract is a combination award consisting of a cost plus fixed fee (CPFF) completion type contract, and a single-award indefinite delivery indefinite quantity (IDIQ) type contract. The CPFF portion of the contract was awarded in the amount of \$19,960,364, consisting of [REDACTED] in fixed fee. The IDIQ portion of the contract was awarded in the amount of \$3,252,254, consisting of a total estimated ceiling cost of [REDACTED] in fixed fee. The initial period of performance was February 1, 2017 through January 31, 2022. The Contract was modified twelve times with no effect on the award amount, but a revision of the end date of the period of performance to January 10, 2022.

Chemonics was founded in 1975 and is a for-profit consulting company based in Washington, DC. **Chemonics' mission is to promote meaningful change around the world, helping people live healthier, more productive, and more independent lives.**

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes revenue received and costs incurred under the Contract for the period February 1, 2021 through January 10, 2022. Because the SPFS presents only a selected portion of the operations of Chemonics, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Chemonics. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), accounting principles generally accepted in the United States of America, and is specific to the aforementioned Contract.

Basis of Accounting

The SPFS was prepared on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when received and expenses are recognized when paid. Additionally, expenses are recognized following the cost principles contained in Federal Acquisition Regulation (FAR) Subpart 31.2 to determine allocability, allowability and reasonableness, wherein certain types of expenses are not allowable or are limited as to reimbursement.

¹ The Notes to the Special Purpose Financial Statement with a numeric identifier are the responsibility of Chemonics.

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Notes to Special Purpose Financial Statement

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Currency

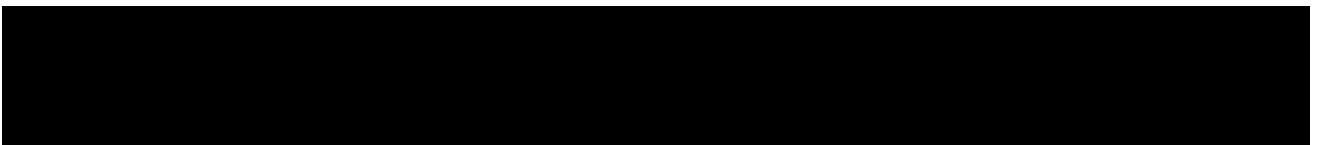
The SPFS is presented in U.S. dollars (USD). Chemonics converts any expenses that were paid in Afghanis (local currency) into U.S. dollars (reporting currency) by using the Standard Exchange Rate (SER) so that any local currency transactions are automatically converted to USD for the invoice. The SER is an accounting tool that is used to establish monthly standardized rates for field office operations and to maintain consistency in calculating exchange rate gains and losses. Chemonics sets a SER at the beginning of each month based on published exchange rates and actual transactions in-country, to apply uniformly throughout the monthly billing period on currency exchange transactions. Although it is an informed estimate, the SER is often higher or lower than the actual exchange rate charged by the local bank at which dollars were converted to local currency and spent. At the end of each month, Chemonics adjusts total estimated monthly billings affected by currency exchange transactions by recording the difference between the SER and the actual exchange rate. This difference reflects the cumulative adjustment needed to reflect the real cost of each transaction based on the actual exchange rate Chemonics received, rather than the estimated rate. Although adjustments will sometimes be booked as credits to the Contract and sometimes as debits, these gains and losses will balance each other out in the long term.

(3) Revenue

Chemonics reported revenue of \$1,754,471 for the period February 1, 2022 through January 10, 2022.

(4) Indirect Costs

Chemonics' indirect costs were reviewed and approved by USAID in a Negotiated Indirect Cost Rate Agreement (NICRA) dated September 8, 2020. The following indirect cost rates were applicable to the Contract:



Base of Application:

(a) Home office and expatriate field direct labor dollars and General and Administrative (G&A) labor dollars excluding non-W2 labor dollars (Effective 01-01-17, the base language was **changed for clarification purposes to "Home office, long-term expatriate and third country national direct labor dollars and G&A labor dollars"**).

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Notes to Special Purpose Financial Statement

(Continued)

(4) Indirect Costs (Continued)

- (b) Host country professional field direct labor dollars.
- (c) Home office direct labor dollars, G&A labor dollars and applicable fringe benefits
- (d) Home office direct labor dollars, field direct labor dollars, G&A labor dollars and applicable fringe benefits, excluding local support labor dollars
- (e) Total cost excluding USAID furnished local currency and G&A expenses (Effective 01-01-17, the G&A base of application changed to total costs excluding USAID furnished local currency, pass through commodities, and G&A expenses)

(5) Fixed Fee

Section B.9 of the Contract includes fixed fees as follows:

<u>Description</u>	<u>Percent of Fixed Fee</u>
CLIN 0001: Milestone Plan Assessment and Intervention Plan for Education Management Information System (EMIS) IR 1.1 Improved EMIS System IR 1.2 Improved Teacher Recruitment IR 1.3 Improved Payroll System	
CLIN 0002: Assessment and Intervention Plan for Internal Audit system IR 2.1 Regular, effective audit system used IR 2.2 Effective resource planning, allocation, and execution IR 2.3 Community and Civil Society oversight and accountability	

(6) Outstanding Fund Balance

As of January 31, 2022, there was no outstanding fund balance under the Contract.

(7) Subsequent Events

Chemonics has evaluated subsequent events through May 10, 2023, which is the date the SPFS was available to be issued. On March 1, 2022, Chemonics received a new NICRA with updated indirect cost rates as follows:

CHEMONICS INTERNATIONAL INC.

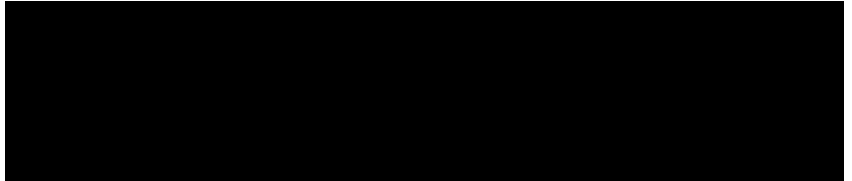
Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Notes to Special Purpose Financial Statement

(Continued)

(7) Subsequent Events (Continued)

<u>Type</u>	<u>Effective Period</u>
Provisional	1/1/21 – 12/31/21
Provisional	1/1/22 until amended



CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

For the period February 1, 2021 through January 10, 2022

There were two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are explicitly questioned because they are unreasonable, prohibited by the agreement, prohibited by 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.

(A) Direct Costs

Chemonics reported direct costs of [REDACTED] for the period February 1, 2021 through January 10, 2022. During our audit of these costs, we identified [REDACTED] in questioned costs consisting of insufficiently supported transactions. See Finding No. 2022-001.

(B) Indirect Costs

Chemonics reported indirect costs in the amount of [REDACTED] for the period February 1, 2021 through January 10, 2022. The indirect cost rates described in Note 4 of the Notes to Special Purpose Financial Statement were applied to the associated questioned costs identified in Note A, which resulted in questioned (unsupported) indirect costs of [REDACTED].

(C) Outstanding Fund Balance

Chemonics reported no outstanding fund balance for the period February 1, 2021 through January 10, 2022. The total outstanding fund balance as of January 10, 2022 in the amount of \$(2,132) represents the total questioned unsupported costs of \$2,132 of the reported outstanding fund balance.

¹ The Notes to Questioned Costs Presented on the Special Purpose Financial Statement with an alphabetical identifier were prepared by Davis Farr LLP for information purposes only and as such are not a part of the audited Special Purpose Financial Statement.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Chemonics International Inc.
1275 New Jersey Ave SE, Suite 200
Washington, D.C. 20003

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the Special Purpose Financial Statement of Chemonics International Inc. (Chemonics) under Contract No. AID-306-C-17-00005 with the United States Agency for International Development (USAID) for the Capacity Building Activity for the Afghan Ministry of Education Program for the period February 1, 2021 through January 10, 2022, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated May 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement, we considered Chemonics' internal control over financial reporting (internal control) as a basis for designing audit procedures that were 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 Chemonics' internal control. Accordingly, we do not express an opinion on the effectiveness of Chemonics' 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

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weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified one deficiency in internal control, described in the accompanying Detailed Audit Findings as Finding Number 2022-001, that we consider to be a deficiency.

Chemonics' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on **Chemonics' response to the finding identified in our audit** and described in the accompanying **Detailed Audit Findings**. **Chemonics' response was not subjected to the other auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on the response.**

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 the entity's** 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 Chemonics, USAID, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Darin Fann LLP

Irvine, California
May 10, 2023

**REPORT ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Chemonics International Inc.
1275 New Jersey Ave SE, Suite 200
Washington, D.C. 20003

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the Special Purpose Financial Statement of Chemonics International Inc. (Chemonics) under Contract No. AID-306-C-17-00005 with the United States Agency for International Development (USAID) for the Capacity Building Activity for the Afghan Ministry of Education Program for the period February 1, 2021 through January 10, 2022, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated May 10, 2023.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chemonics' Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and the aforementioned 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Detailed Audit Findings and Finding Number 2022-001.

Chemonics' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Chemonics' response to the finding identified in our audit and described in the accompanying Detailed Audit Findings. Chemonics' response was not subjected to the other auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on the response.

Chemonics International Inc.
1275 New Jersey Ave SE, Suite 200
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Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

Purpose of this Report

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

Restriction on Use

This report is intended for the information of Chemonics, USAID, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Davis Funn LLP

Irvine, California
May 10, 2023

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Detailed Audit Findings

For the period February 1, 2021 through January 10, 2022

Finding 2022-001: Unsupported Travel Costs

Nature of Finding:

Internal control – deficiency
Noncompliance

Condition:

We tested 143 direct cost transactions totaling \$413,861 out of a population of 2,937 transactions totaling \$811,911. Of the 143 transactions tested, no documentation was provided to support nine transactions related to travel in the amount of [REDACTED].

Cause:

Due to the COVID-19 pandemic and subsequent period of lockdown in early 2020, Chemonics finance and operations teams had limited access to their field office in Afghanistan and were unable to scan a backlog of documents. Additionally, Chemonics indicated that a request to destroy files remaining in field offices in Afghanistan was received on August 14, 2021 by a USAID Senior Security Specialist and carried out by the Chemonics Security Team in Afghanistan shortly thereafter.

Criteria:

48 CFR §31.201-2(d), *Determining allowability*, states:

"A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost that is inadequately supported."

48 CFR §31.205-46, *Travel costs*, states, in part:

"(a) *Costs for transportation, lodging, meals, and incidental expenses...*

(7) Costs shall be allowable only if the following information is documented:

(i) Date and place (city, town, or other similar designation) of the expenses;

(ii) Purpose of the trip; and

(iii) **Name of person on trip and that person's title or relationship to the contractor...**"

Chemonics Policy Manual, Chapter 10, *Travel*, Section O2, *All Expense Reports Reimbursed Through Project Offices*, states, in part:

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Detailed Audit Findings

(Continued)

"...Expense reports must include valid receipts as verification for all expenses claimed except taxi fares under \$15."

Effect:

Failure to maintain adequate supporting documentation resulted in an inability to demonstrate that costs incurred were allowable, allocable, and related to the Contract.

Questioned Costs:

Total questioned costs resulting from the unsupported travel transactions charged to the Contract was \$2,132, including associated indirect costs of [REDACTED] as follows:

	Total Questioned Costs
Questioned costs	[REDACTED]
Associated questioned indirect costs	[REDACTED]
Totals	<u>\$2,132</u>

Recommendation:

- (1) We recommend that Chemonics either provide adequate documentation to support the costs incurred or return \$2,132 to the U.S. Government.
- (2) We recommend that Chemonics develop procedures to ensure costs are appropriately documented as required by the FAR.

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Status of Prior Audit Findings

For the period February 1, 2021 through January 10, 2022

We requested from Chemonics, SIGAR and USAID copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to **Chemonics'** activities under the Contract. We obtained and reviewed nine prior reports, which consisted of two USAID financial audits and seven prior SIGAR financial audits. Our review of these reports noted the following:

Reports with no findings	0
Reports with findings that were reviewed by other auditors and corrective actions were deemed adequate	4
Reports with findings requiring our evaluation of corrective actions	<u>5</u>
Total number of reports reviewed	<u>9</u>

Five reports contained nine findings that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We performed follow up procedures including discussion with management, reviewed the revised policies and procedures, and conducted testing of similar areas surrounding these issues. Accordingly, we have concluded that Chemonics has taken adequate corrective actions on eight of the nine findings. Adequate corrective action was not taken on one finding, which has been repeated under this audit. The summary of prior audit findings that could have a potential material effect on the SPFS are listed below:

Audit Report: SIGAR 19-14 **Financial Audit, "USAID's Afghan Trade and Revenue Project: Audit of Costs Incurred by Chemonics International Inc."** for the period January 1, 2017 through February 28, 2018, which was conducted by Crowe LLP on behalf of SIGAR, and issued on January 22, 2019

- *Finding 2018-01: Property Records Not Updated for Lost, Stolen, Damaged, or Transferred Property* – The audit firm noted that property records were incomplete for some non-expendable property.

Status: We reviewed Chemonics' submitted project inventory tracker for non-expendable property and noted that the property records were complete. As such, the corrective action plan has been adequately implemented.

Audit Report: SIGAR 20-34 **Financial Audit, "USAID's Regional Agricultural Development Program – South in Afghanistan: Audit of Costs Incurred by Chemonics International Inc."** for the period January 1, 2016 through November 20, 2017, which was conducted by Crowe LLP on behalf of SIGAR, and issued on April 9, 2020

- *Finding 2017-001: Unattested and Improperly Formatted Annual report of Government Property* – The audit firm noted that Chemonics did not submit the Annual Report of Government Property consistent with USAID's requirements.

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Status of Prior Audit Findings

(Continued)

Status: We reviewed Chemonics' submitted project inventory tracker for non-expendable property and noted that it was in accordance with USAID's guidelines. As such, the corrective action plan has been adequately implemented.

- *Finding 2017-002: Incomplete Property Records and Inadequate Property Management Procedures* – The audit firm noted that property records were incomplete for some non-expendable property.

Status: We reviewed Chemonics' submitted project inventory tracker for non-expendable property and noted that it was in accordance with USAID's guidelines. As such, the corrective action plan has been adequately implemented.

- *Finding 2017-003: Undetected Misstatements Within the Special Purpose Financial Statement and Accompanying Notes* – The audit firm noted that the SPFS was not presented on the basis of accounting as described by Chemonics.

Status: Our review of the SPFS noted that it was prepared on the cash basis of accounting, which was the basis of accounting as described by Chemonics. As such, the corrective action plan has been adequately implemented.

Audit Report: SIGAR 22-26 **Financial Audit, "USAID's Capacity Building Activity for the Afghan Ministry of Education: Audit of Costs Incurred by Chemonics International Inc."** for the period January 1, 2020 through January 31, 2021, which was conducted by Conrad LLP on behalf of SIGAR, and issued on May 24, 2022

- *Finding 2022-01: Ineligible Payroll Costs Charged to the Program During Emergency Closure due to COVID-19* – The audit firm noted that payroll costs during periods of office closure to the program without USAID approval.

Status: We tested 109 payroll transactions and noted that no pay was made during a period of office closure. As such, the corrective action has been adequately implemented.

- *Finding 2022-02: Payments Made to Persons Whose Names Match Those on the SAM/OFAC Exclusion List* – The audit firm noted that payments were made to persons whose names match those on the SAM/OFAC exclusion list.

Status: We tested 170 transactions and noted that a SAM background check was conducted for all persons receiving payments. As such, the corrective action has been adequately implemented.

- *Finding 3: Unsupported and Ineligible Costs were Charged to the Program* – The audit firm noted that there were unsupported costs and costs in excess of invoices amounts charged to the program.

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Status of Prior Audit Findings

(Continued)

Status: We tested 170 transactions and noted that 9 transactions were not supported. As such, the corrective action has not been adequately implemented.

Audit Report: "Financial Audit of Costs Incurred By Chemonics International for the Women In Government, Capacity Building Activity at the Ministry of Education, Famine Early Warning System, and Family Planning Health Commodities for USAID Health Programs" for the period April 20, 2015 through December 31, 2018, which was conducted by Crowe LLP on behalf of USAID, and issued on June 15, 2020

- *Finding 2018-01: Misstated Disposition Instruction Form* – The audit firm noted that government property was not disposed of properly.

Status: We reviewed Chemonics' submitted project inventory tracker for non-expendable property and noted that it was in accordance with USAID's guidelines. As such, the corrective action plan has been adequately implemented.

Audit Report: "Financial Audit of Costs Incurred by Chemonics International Inc. for Capacity Building Activity at the Ministry of Education and Promote – Component 3, Women in Government programs" for the period January 1, 2019 through December 31, 2019, which was conducted by Castro & Company on behalf of USAID, and issued on February 11, 2021

- *Finding 2021-01: Inaccurate Amounts Reported on Government Property Records* – The audit firm noted that three items in inventory were calculated incorrectly due to an incorrect exchange rate used.

Status: We reviewed Chemonics' submitted project inventory tracker for non-expendable property and noted that all items were correctly calculated. As such, the corrective action plan has been adequately implemented.

May 10, 2023

Marcus Davis, CPA
Davis Farr LLP
18201 Von Karman Ave, Suite 1100
Irvine, CA 92612

Subject: Management Response to Report on Audit of the Special Purpose Financial Statement for Contract No. AID-306-C-17-00005 Capacity Building Activity for the Afghan Ministry of Education for the period February 1, 2021 through January 10, 2022

Dear Mr. Davis,

In response to the audit report of May 2, 2023, and after careful review of our records, Chemionics International is pleased to submit our response to the auditor's findings for the subject audit.

Chemionics Management Response

Finding Number 2022-001: Unsupported travel costs: Chemionics' financial documentation process is guided by USAID regulations and policies, as well as our corporate policies and procedures. We acknowledge that nine transactions related to travel and totaling [REDACTED] did not have supporting documentation. This lack of documentation was both due to forces outside of the project's manageable control and resulted from action taken at the direction of USAID. As noted for the auditors at the beginning of the audit, during the COVID-19 pandemic, Chemionics' project office in Afghanistan was required to comply with government lockdowns and curfews. This significantly limited staff's ability to access the office and scan in financial backup documentation. After lockdowns were lifted, project leadership worked with staff to develop a plan to scan what had become a backlog of financial documentation. The project proceeded with that plan. On August 14, 2021, the USAID/Afghanistan PLSO ordered all implementing partners to destroy sensitive documentation in preparation for the Taliban's takeover of Kabul. This order included the financial documentation needed for these travel costs, which had not yet been scanned in.

Chemionics acknowledges that [REDACTED] in travel costs and [REDACTED] in related indirect costs did not have supporting documentation. Chemionics also acknowledges that this documentation is missing for reasons outside of the company's manageable control, and confirms that substantial efforts were made to ensure financial documentation was scanned and complete.

Action Items:

1. Chemionics will provide documentation for USAID's consideration and approval for the unsupported costs.
2. Chemionics will provide additional training and support to project office staff on our internal procedures on financial document review and management to ensure costs are appropriately documented.

Thank you for your continued collaboration throughout the course of this audit. Please do not hesitate to contact me with additional questions.

Sincerely,



Efrain Laureano
Senior Vice President
Asia Regional Business Unit
Chemionics International Inc.

CHEMONICS INTERNATIONAL INC.

Audit of the Special Purpose Financial Statement
For Contract No. AID-306-C-17-00005
Capacity Building Activity for the Afghan Ministry of Education

Auditor's Rebuttal to Chemonics' Response to Findings

For the period February 1, 2021 through January 10, 2022

Chemonics agreed with Finding 2022-001 by acknowledging that nine transactions related to travel were unsupported. Chemonics also states they will provide supporting documentation to USAID for consideration and approval. Since Chemonics agreed with the finding, a rebuttal is not required.

SIGAR's Mission

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

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

Obtaining Copies of SIGAR Reports and Testimonies

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

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

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

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

SIGAR's Mission

Public Affairs Officer

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