

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On July 9, 2020, the U.S. Agency for International Development (USAID) awarded a 15-month, \$2,300,000 grant to ██████ in support of USAID's Integrated Response in Hard-to-Reach Areas for Conflict-Affected People in Afghanistan program. The program's goal was to, among other things, improve access to services such as integrated primary health care, nutrition, economic recovery, water, and sanitation in conflict-affected areas of ██████ and ██████ provinces. USAID modified the agreement two times; the modifications did not affect the total grant amount, but the period of performance was extended to January 31, 2022.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$2,295,008 in costs charged to the agreement from October 1, 2020, through January 31, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in ██████ 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 ██████ has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of ██████ Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

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

October 2023

USAID's Integrated Response in Hard-to-Reach Areas for Conflict-Affected People in Afghanistan Program: Audit of Costs Incurred by ██████

SIGAR 24-02-FA

WHAT SIGAR FOUND

Conrad identified three deficiencies and seven significant deficiencies in ██████ internal controls, and ten instances of noncompliance with the terms of the agreement. For example, Conrad found instances in which ██████ did not provide documentation to demonstrate that it performed required exclusion or anti-terrorist checks prior to making payments for training, direct costs, program supplies and equipment, and laborers. In addition, Conrad determined that ██████ did not provide competitive bidding documentation for procurements related to internet and communication services, rent, utilities, vehicle rental, and private money dealer services. SIGAR notified ██████ of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$221,194 in total questioned costs, consisting of \$50,236 in ineligible costs—costs prohibited by the agreements and applicable laws and regulations, and \$170,958 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$45,669	\$155,416	\$201,085
Indirect Costs	\$4,567	\$15,542	\$20,109
Total Costs	\$50,236	\$170,958	\$221,194

Conrad identified one prior audit report that was relevant to ██████ agreement. The report had one finding that could have a material effect on the SPFS. Conrad conducted follow-up procedures and concluded that ██████ took adequate corrective action on the finding. Conrad issued a modified opinion on ██████ SPFS because the questioned costs identified are material to the financial statement.

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, \$221,194 in questioned costs identified in the report.
2. Advise ██████ to address the report's ten internal control findings.
3. Advise ██████ to address the report's ten noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

October 17, 2023

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

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

We contracted with Conrad LLP (Conrad) to audit the costs incurred by [REDACTED] under a 15-month grant from the U.S. Agency for International Development (USAID) to support the Integrated Response in Hard-to-Reach Areas for Conflict-Affected People in Afghanistan Program.¹ The program's goal was to, among other things, improve access to services such as integrated primary health care, nutrition, economic recovery, water, and sanitation in conflict-affected areas of Kandahar and Zabul provinces. Conrad reviewed \$2,295,008 in costs charged to the agreement from October 1, 2020, through January 31, 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, \$221,194 in questioned costs identified in the report.**
2. **Advise [REDACTED] to address the report's ten internal control findings.**
3. **Advise [REDACTED] to address the report's ten 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 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 [REDACTED] Special Purpose Financial Statements, 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 4, 2023, and the conclusions expressed therein. However, our review disclosed no instances in which 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 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-253)

¹ The grant number is [REDACTED]. The grant was funded by USAID's Office of U.S. Foreign Disaster Assistance which has since been combined with the Office of Food for Peace into USAID's Bureau for Humanitarian Assistance.

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Democracy,
Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster
Assistance, for the Integrated Response in Hard to Reach Areas for Conflict Affected
People in [REDACTED] [REDACTED] [REDACTED] [REDACTED] Afghanistan

For the Period of October 1, 2020 through January 31, 2022

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October 4, 2023



Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, VA 22202

Conrad LLP (referred to as "Conrad" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of [REDACTED] Special Purpose Financial Statement under Grant Agreement No. [REDACTED] awarded by the United States Agency for International Development in support of the Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED], Afghanistan Program, for the period October 1, 2020 through January 31, 2022.

On October 4, 2023, we provided the Special Inspector General for Afghanistan Reconstruction with a draft report reflecting our audit procedures and results. [REDACTED] received a copy of the report on September 6, 2023 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 the Special Inspector General for Afghanistan Reconstruction and [REDACTED] responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

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

Sincerely,

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

Sam Perera, CPA, CFE, CITP, CGMA
Partner

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Background

On July 9, 2020, the United States Agency for International Development (USAID), Office of U.S. Foreign Disaster Assistance, awarded Grant Agreement No. [REDACTED] (Grant Agreement) to [REDACTED] in support of the Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED] in Afghanistan (the Program). In 2020 after the award date, the Bureau for Humanitarian Assistance (BHA) was established to streamline USAID's humanitarian responses, bringing together the vast expertise and resources of the former USAID Offices of United States Foreign Disaster Assistance and Food for Peace.

The purpose of the Grant Agreement was to improve access to integrated primary health care, including sexual and reproductive health care, nutrition, environmental health conditions, livelihood restoration, and protection services in conflict affected areas of [REDACTED]. [REDACTED] integrated intervention was intended to address the needs of the most vulnerable communities by providing malnutrition screenings and treatment; gender-based violence case management, psychosocial support, and protection monitoring; vocational training for protection cases; and hygiene promotion. [REDACTED] implemented a twofold strategy, providing an integrated package of multi-sector services through static centers called Health Posts and through Mobile Health Teams. [REDACTED] stated outcomes for the Program are as follows:

- Health – To improve health services for conflict-affected communities in Southern Afghanistan, with specific focus on mother and child health.
- Nutrition – To contribute to the reduction of malnutrition among children under five and pregnant and lactating women in conflict affected areas of Southern Afghanistan.
- Protection – To enable a protection-conducive environment preventing and mitigating protection risks, as well as to facilitate an effective response to protection violations, for the most vulnerable conflict-affected individuals and communities in Southern Afghanistan.
- Economic Recovery and Market Systems – To support sexual and gender-based violence survivors and woman and girls at risk with life skills training to improve and enhance self-reliance and re-integration.
- Water, Sanitation and Hygiene – To enhance community awareness and adoption of good WaSH practices for conflict-affected communities in Southern Afghanistan.

The initial award amount was \$2,300,000, for the period of performance from October 1, 2020 through December 31, 2021. There have been two modifications to the Grant Agreement, neither of them had an impact on the total award amount; however, Modification 002 extended the completion date from December 31, 2021 to January 31, 2022. See the *Summary of Grant Agreement* below.

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED] Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Summary of Grant Agreement

Grant Agreement Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
[REDACTED]	\$2,300,000	10/01/20	12/31/21	2	No change	01/31/22

* Indicates the award is close-out.

Work Performed

Conrad LLP (Conrad) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of the Grant Agreement, as mentioned above, of [REDACTED] Special Purpose Financial Statement (SPFS) for revenue received and costs incurred under the Program totaling \$2,295,008 for the period October 1, 2020 through January 31, 2022.

Objectives, Scope, and Methodology

Audit Objectives

The objectives of the audit of the aforementioned award include the following:

- *Special Purpose Financial Statement* – Express an opinion on whether [REDACTED] SPFS for the Grant Agreement 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 Grant Agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of [REDACTED] internal controls related to the Grant Agreement, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

- *Compliance* – Perform tests to determine whether [REDACTED] complied, in all material respects, with the Grant Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Grant Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether [REDACTED] has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Scope

The scope of this close-out audit included all costs incurred during the period of October 1, 2020 through January 31, 2022, totaling \$2,295,008 under the Grant Agreement. Our testing of the indirect cost charged to the Grant Agreement was limited to determining that the indirect cost was calculated using the correct de minimis rate of 10%, as approved in the Grant Agreement.

Audit Methodology

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

Entrance Conference

An entrance conference was held on January 30, 2022, with representatives of [REDACTED] Conrad, SIGAR, and USAID/BHA participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of the audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

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

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

- Any regulations that were specific to the agreement's requirements, such as 2 CFR 200 Subpart E Cost Principles, 2 CFR 700 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, USAID Automated Directives System (ADS) Chapter 303, Grants and Cooperative Agreements to Non-Government Organizations;
 - Audited financial statements;
 - Previous SIGAR and USAID financial audit reports; and
 - Close-out requirements and evidence supporting close-out procedures performed.
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs were properly recorded.

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Grant Agreement, and the applicable general ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Grant Agreement;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the de minimis rate of 10%, as approved in the Grant Agreement to ensure that the rate was accurately applied.

Internal Controls Related to the Grant Agreement

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

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Compliance with the Grant Agreement Requirements and Applicable Laws and Regulations

We performed tests to determine whether [REDACTED] complied, in all material respects, with the Grant Agreement requirements, 2 CFR 200, 2 CFR 700, ADS 303, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Grant Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.

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 material effect on [REDACTED] SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on [REDACTED] SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 60.

Exit Conference

An exit conference was held on June 28, 2023 via conference call. Participants included representatives from Conrad, [REDACTED] SIGAR, and USAID/BHA. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

We have summarized the details of these results in the Findings and Questioned Costs subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

Auditor's Opinion on the SPFS

Conrad issued a modified opinion on the fairness of the presentation of the SPFS.

We identified \$221,194 in total questioned costs, which comprised \$50,236 in ineligible costs and \$170,958 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Grant Agreement's provisions or applicable laws and regulations, or not related to the Grant Agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on [REDACTED] SPFS. In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or

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INTERSOS

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. 720FDA20GR00053
Integrated Response in Hard to Reach Areas for Conflicted Affected People in Kandahar and
Zabul Provinces, Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

abuse, which would be subject to reporting under *Government Auditing Standards*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

Internal Controls

Our audit identified 10 internal control findings. Seven internal control findings are considered to be significant deficiencies and three internal control findings are considered to be deficiencies. See *Independent Auditor's Report on Internal Control* on page 23.

Compliance

The results of our testing identified 10 instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 25.

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*. ██████████ self-disclosed two instances of alleged fraud that could have a potential impact on the Program and the SPFS. Based on further discussions with ██████████ and review of the alleged incidences of fraud, an internal investigation into these allegations was conducted by ██████████ and the results found that there was no monetary or material effect to the Program or the SPFS during the period under review. As such, there are no further communications warranting additional consideration.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2023-01	Non-compliance and Internal Control – Significant Deficiency	Lacked sufficient controls surrounding other short-term non-employee labor payments	\$ -	\$ 129,896	\$ 129,896
2023-02	Non-compliance and Internal Control – Significant Deficiency	Procurement requirements were not followed	-	23,229	153,125

(Continued)

[REDACTED]
 Financial Audit of the Special Purpose Financial Statement for
 Grant Agreement No. [REDACTED]
 Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

2023-03	Non-compliance and Internal Control – Significant Deficiency	Costs not directly related to the Program were charged to the Program	21,264	-	174,389
2023-04	Non-compliance and Internal Control – Significant Deficiency	Payment was made to an individual or another vendor other than the supplying vendor	17,338	-	191,727
2023-05	Non-compliance and Internal Control – Significant Deficiency	Lacked adequate controls surrounding record retention and maintenance	-	11,764	203,491
2023-06	Non-compliance and Internal Control – Significant Deficiency	Insufficient documentation for payroll costs charged to the Program	-	6,069	209,560
2023-07	Non-compliance and Internal Control – Significant Deficiency	Inquiries were not done on positive SAM/OFAC checks	6,230 ¹	-	215,790

¹ See additional explanation on Finding 2023-07 (p.49) Questioned costs section.

(Continued)

[REDACTED]
 Financial Audit of the Special Purpose Financial Statement for
 Grant Agreement No. [REDACTED]
 Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

2023-08	Non-compliance and Internal Control – Deficiency	Incorrect foreign exchange rate was used	2,907	-	218,697
2023-09	Non-compliance and Internal Control – Deficiency	Costs were incorrectly allocated and charged to the Program	2,296	-	220,993
2023-10	Non-compliance and Internal Control – Deficiency	Overcharge of per diem costs	201	-	221,194
Total Questioned Costs			\$ 50,236	\$ 170,958	\$ 221,194

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from [REDACTED], SIGAR, and USAID pertinent to [REDACTED] activities under the agreement. We identified one prior audit report that contained one finding and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with the management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. We concluded that [REDACTED] had taken adequate corrective actions on the one finding and recommendations. See *Status of Prior Audit Findings* on page 60 for a detailed description of the prior findings and recommendations.

Summary of [REDACTED] Responses to Findings

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

- (1) **Finding 2023-01:** [REDACTED] disagreed with this finding and noted that the MoA had a clerical error and that attendance sheets should not be required as they are community volunteers.
- (2) **Finding 2023-02:** [REDACTED] disagreed with this finding and noted that the procurement procedures in question are valid and in line with the Practical Guide to Contract Procedures for European Union External Actions.
- (3) **Finding 2023-03:** [REDACTED] did not agree nor disagree with this finding; however, they provided timesheets for review for the temporary staff in question.
- (4) **Finding 2023-04:** [REDACTED] did not agree nor disagree with this finding and noted that the bank accounts of these suppliers were frozen in August 2021 and as such had to issue the payments to employees of the suppliers.
- (5) **Finding 2023-05:** [REDACTED] acknowledged this finding.
- (6) **Finding 2023-06:** [REDACTED] did not agree nor disagree with this finding; however, provided the missing extension for the [REDACTED] and written explanations for the hardship allowance.
- (7) **Finding 2023-07:** [REDACTED] partially disagreed with this finding stating that the SAM/OFAC exclusion checks were not needed on community health workers, community outreach volunteers and community-based hygiene promoters.
- (8) **Finding 2023-08:** [REDACTED] partially disagreed stating the United Nations exchange rate supported the incurred costs of two of the invoices.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

(9) Finding 2023-09: [REDACTED] acknowledged this finding.

(10) Finding 2023-10: [REDACTED] acknowledged this finding.

(Continued)



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



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 the Grant Agreement No. [REDACTED] (Agreement) awarded by the United States Agency for International Development (USAID) to support the Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED], Afghanistan Program, for the period of October 1, 2020 through January 31, 2022.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 October 1, 2020 through January 31, 2022, in accordance with the terms of the agreement and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction.

Basis for Qualified Opinion

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 opinion.

We identified \$221,194 in aggregate questioned costs resulting from the significant deficiencies and deficiencies in internal controls and non-compliance with the terms and conditions of the Agreement. The total questioned cost amount is considered material to the Special Purpose Financial Statement.

Basis of Presentation and Accounting

We draw attention to Note 1 and 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 Special

Purpose Financial 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 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 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 financial statements.
- 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 4, 2023 on our consideration of [REDACTED] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the agreement, and other matters. The purpose of these 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.

Restriction on Use

This report is intended for the information of [REDACTED], the United States Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States 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. The 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 the United States Congress and 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 4, 2023

[REDACTED]
 Financial Audit of the Special Purpose Financial Statement for
 Grant Agreement No. [REDACTED]
 Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	<u>Notes</u>
Revenues:						
Grant Agreement No.						
[REDACTED]	\$ 2,300,000	\$ 2,295,008	\$ -	\$ -	\$ -	(4)
Total revenues	<u>2,300,000</u>	<u>2,295,008</u>	-	-	-	
Costs incurred and Fixed Fee:						
Salaries	1,158,920	1,189,566	10,642	5,517	16,159	(A)
Fringe Benefits	151,780	186,584	193	46	239	(B)
Other Short-term						
Non-employee Labor	135,670	118,087	-	118,087	118,087	(C)
Travel and Transport	39,240	52,882	8,679	-	8,679	(D)
Program Supplies and Equipment	198,310	179,537	23,095	1,394	24,489	(E)
Other Direct Costs	400,350	365,994	2,834	29,379	32,213	(F)
Beneficiary Training	25,729	12,357	226	993	1,219	(G)
OMB Circular A-133	4,157	4,157	-	-	-	
Indirect Costs	<u>185,844</u>	<u>185,844</u>	<u>4,567</u>	<u>15,542</u>	<u>20,109</u>	(H)
Total costs incurred	<u>\$ 2,300,000</u>	<u>\$ 2,295,008</u>	<u>\$ 50,236</u>	<u>\$ 170,958</u>	<u>\$ 221,194</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>				

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

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED] Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Notes to Special Purpose Financial Statement¹

(1) Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under award Number [REDACTED] for the "Integrated response in hard to reach areas for conflict affected people in [REDACTED] Afghanistan Program" for the period October 1, 2020, to January 31, 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 the Statement may differ from amounts presented in or used in the preparation of the basic financial statements.

(2) Basis of Accounting

Revenues and expenditures reported on the Statement are reported on the accrual basis of accounting and presents amounts as presented under the terms of the Award. Such expenditures are recognized following the cost principles contained in 2 CFR 200 Subpart E, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Foreign Currency Conversion Method

The Statement contains expenses translated into United States dollars (USD). All expenses are converted into USD by using the United Nations monthly exchange rate, as per [REDACTED] accounting practices for budgets expressed in USD. In the case of two or more different exchange rates in the same month, the exchange rate of the first day of the month has been used.

(4) Revenues

Revenues on the Statement corresponds to flow of funds received from USAID, between October 1, 2020 and January 31, 2022, for a total amount of \$2,295,007.72 detailed as follows:

Period	Description	Currency	Amount
November 2020	Cash from Donor	USD	123,160.00
January 2021	Cash from Donor	USD	150,107.00
February 2021	Cash from Donor	USD	83,290.00
March 2021	Cash from Donor	USD	75,662.00
April 2021	Cash from Donor	USD	97,676.00
May 2021	Cash from Donor	USD	166,827.00

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

[REDACTED]
 Financial Audit of the Special Purpose Financial Statement for
 Grant Agreement No. [REDACTED]
 Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED] Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Notes to Special Purpose Financial Statement¹ (Continued)

June 2021	Cash from Donor	USD	233,253.00
July 2021	Cash from Donor	USD	175,214.00
August 2021	Cash from Donor	USD	191,976.00
October 2021	Cash from Donor	USD	324,831.00
December 2021	Cash from Donor	USD	364,803.00
December 2021	Cash from Donor	USD	113,295.22
January 2022	Cash from Donor	USD	194,913.50
			\$2,295,007.72

(5) Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved award budget, approved on December 8, 2021 through Agreement Officer Representative acknowledgement letter of the No-Cost Extension of Award No. [REDACTED].

Lines	Object Class Category	Amt Spent (USD)
01.	Salaries	\$1,189,565.90
02.	Fringe Benefits	186,584.21
03.	Other Short-term "Non-Employee" Labor	118,087.52
04.	Travel and Transport	52,881.65
05.	Overseas Allowances	-
06.	Program Supplies and Equipment >\$5,000	179,536.91
07.	Other Direct Costs	365,993.61
08.	Beneficiary Training	12,357.03
09.	USAID Branding and Marking	-
10.	Contractual/Sub-Awards	-
11.	Equipment at or above \$5,000	-
12.	OMB Circular A-133 (or RCA) Audits if not recovered under approved NICRA	4,157.27
TOTAL DIRECT COSTS		\$2,109,164.10
13.	Indirect Costs	185,843.62
TOTAL PROGRAM		\$2,295,007.72

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

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflicted Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Notes to Special Purpose Financial Statement¹ (Continued)

(6) Outstanding balance

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.

(7) Currency

All amounts presented are shown in United States dollars.

(8) Program Status

The “Integrated response in hard to reach areas for conflict affected people in [REDACTED]
[REDACTED], Afghanistan Program” is complete.

(9) Subsequent Events

[REDACTED] has performed an analysis of the activities and transactions subsequent to the October 1, 2020 through January 31, 2022 period covered by the Statement. Management has performed their analysis through October 4, 2023.

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

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Salaries

[REDACTED] reported a total of \$1,189,566 for Salaries for the period of October 1, 2020 through January 31, 2022.

During our audit of these costs, we noted the following:

- Costs incurred lacked sufficient evidence to support why salary costs from employees not listed on the program are charged as direct costs to the program, resulting in ineligible costs of \$10,642. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- Cost incurred lacked sufficient evidence to support how the hardship allowance given to staff was calculated, resulting in unsupported costs of \$4,181. See **Finding No. 2023-06** in the *Schedule of Findings and Questioned Costs* section of this report.
- Employees' salary payments did not agree to the amount listed on the employment agreement, resulting in unsupported costs of \$1,216. See **Finding No. 2023-06** in the *Schedule of Findings and Questioned Costs* section of this report.
- Employees were incorrectly paid a bonus for working additional hours on Saturday(s), resulting in unsupported costs of \$120. See **Finding No. 2023-06** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Salaries costs of \$16,159, consisting of \$10,642 in ineligible costs and \$5,517 in unsupported costs.

(B) Fringe Benefits

[REDACTED] reported a total of \$186,584 for Fringe Benefits for the period of October 1, 2020 through January 31, 2022.

During our audit of these costs, we noted the following:

- Costs incurred lacked sufficient documentation to support the fringe benefit costs charged were for employees on the Program, resulting in ineligible costs of \$193. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.

² 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.

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²
(Continued)

- [REDACTED] did not provide support documentation, resulting in unsupported costs of \$46. See **Finding No. 2023-05** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Fringe Benefits costs of \$239, consisting of \$193 in ineligible costs and \$46 in unsupported costs.

(C) Other Short-term Non-employee Labor

[REDACTED] reported a total of \$118,087 for Other Short-Term Non-Employee Labor for the period of October 1, 2020 through January 31, 2022.

During our audit of these costs, we noted the following:

- Costs incurred lacked sufficient documentation of signed attendance sheets as required in the signed Memorandum of Agreement, resulting in unsupported costs of \$30,347. Questioned costs have been expanded to the entire Other Short-Term Non-Employee Labor cost category as all samples tested were missing attendance sheets. This resulted in unsupported costs of \$118,087. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- [REDACTED] did not conduct further investigation on positive matches for the exclusion list checks to show the individual was not the same individual on the exclusion list match. This resulted in no questioned costs as costs have been questioned under **Finding No. 2023-01**. See **Finding No. 2023-07** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total unsupported Other Short-Term Non-Employee Labor costs of \$118,087.

(D) Travel and Transport

[REDACTED] reported a total of \$52,882 for Travel and Transport for the period of October 1, 2020 through January 31, 2022.

During our audit of these costs, we noted the following:

² 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.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²
(Continued)

- Costs incurred lacked sufficient documentation to support the travel costs charged were for employees on the Program, resulting in ineligible costs of \$8,496. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- [REDACTED] charged per diem rates to the program that were above the allowable rates per [REDACTED] policies and procedures, resulting in ineligible costs of \$183. See **Finding No. 2023-10** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total ineligible Travel and Transport Costs of \$8,679.

(E) Program Supplies and Equipment

[REDACTED] reported a total of \$179,537 for Program Supplies and Equipment for the period of October 1, 2020 through January 31, 2022.

During our audit of these costs, we noted the following:

- Vendor name on the agreement and vendor name on the payment did not match, resulting in ineligible costs of \$15,762. See **Finding No. 2023-04** in the *Schedule of Findings and Questioned Costs* section of this report.
- [REDACTED] did not conduct further investigation into positive matches for the exclusion list check to show the individuals were not the same individuals on the exclusion list matches, resulting in ineligible costs of \$4,690. See **Finding No. 2023-07** in the *Schedule of Findings and Questioned Costs* section of this report.
- An incorrect exchange rate was used creating an overcharge of costs to the program, resulting in ineligible costs of \$2,643. See **Finding No. 2023-08** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs incurred lacked sufficient documentation to show proof of payment, resulting in unsupported costs of \$1,394. See **Finding No. 2023-05** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Program Supplies and Equipment costs of \$24,489, consisting of \$23,095 in ineligible costs and \$1,394 in unsupported costs.

² 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.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²
(Continued)

(F) Other Direct Costs

[REDACTED] reported a total of \$365,994 for Other Direct Costs for the period of October 1, 2020 through January 31, 2022.

During our audit of these costs, we noted the following:

- Costs incurred lacked sufficient procurement documentation such as request for quotations, quotations, comparative statement of quotations, and a delivery note, resulting in unsupported costs of \$21,117. See **Finding No. 2023-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs incurred were not allocated to the program in line with the allocation methodology, resulting in ineligible costs of \$2,087. See **Finding No. 2023-09** in the *Schedule of Findings and Questioned Costs* section of this report.
- During an office move for [REDACTED] from [REDACTED], documentation was lost for one sample tested. In addition, [REDACTED] was not able to locate procurement documentation resulting in unsupported costs of \$8,262. [REDACTED] stated that no other documentation for this cost category was lost during this move. See **Finding No. 2023-05** in the *Schedule of Findings and Questioned Costs* section of this report.
- [REDACTED] did not conduct further investigation on positive matches for the exclusion list checks to show the individuals were not the same individuals on the exclusion list matches, resulting in ineligible costs of \$747. See **Finding No. 2023-07** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Other Direct Costs of \$32,213, consisting of \$2,834 of ineligible costs and \$29,379 of unsupported costs.

(G) Beneficiary Training

[REDACTED] reported a total of \$12,357 for Beneficiary Training for the period of October 1, 2020 through January 31, 2022.

During our audit of these costs, we noted the following:

² 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.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²
(Continued)

- During an office move for [REDACTED] from [REDACTED], documentation was lost for one sample tested, resulting in unsupported costs of \$993. [REDACTED] stated that no other documentation was lost for this cost category during this move. See **Finding No. 2023-05** in the *Schedule of Findings and Questioned Costs* section of this report.
- [REDACTED] did not conduct further investigation on positive matches for the exclusion list checks to show the individuals were not the same individuals on the exclusion list matches, resulting in ineligible costs of \$226. See **Finding No. 2023-07** in the *Schedule of Findings and Questioned Costs* section of this report.

(H) Indirect Costs

[REDACTED] reported a total of \$185,844 for Indirect Costs for the period of October 1, 2020 through January 31, 2022.

The indirect costs associated with questioned costs identified in **Notes A, B, C, D, E, F and G** above resulted in total unsupported indirect costs of \$15,542 and total ineligible indirect costs of \$4,567. This resulted in total questioned indirect costs of \$20,109.

² 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.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL



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

We have audited, the Special Purpose Financial Statement (Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by [REDACTED] under Grant Agreement No. [REDACTED] (Agreement) in support of the Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED], Afghanistan Program for the period of October 1, 2020 through January 31, 2022. We have issued our report thereon dated October 4, 2023 with a modified opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of October 1, 2020 through January 31, 2022, 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified 10 deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Findings 2023-01, 2023-02, 2023-03, 2023-04, 2023-05, 2023-06, and 2023-07 are considered to be significant deficiencies and Findings 2023-08, 2023-09, and 2023-10 are considered to be deficiencies.

Response to Findings

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

Purpose of this Report

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

Restriction on Use

This report is intended for the information of the United States Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States 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 4, 2023

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE



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

We have audited, the Special Purpose Financial Statement (Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by [REDACTED] under Grant Agreement No. [REDACTED] (Agreement) in support of the Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED], Afghanistan Program, for the period of October 1, 2020 through January 31, 2022. We have issued our report thereon dated October 4, 2023 with a modified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether [REDACTED] Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 10 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-01, 2023-02, 2023-03, 2023-04, 2023-05, 2023-06, 2023-07, 2023-08, 2023-09, and 2023-10.



Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's 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 Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States 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 4, 2023

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Schedule of Findings and Questioned Costs

Finding 2023-01: Lacked sufficient controls surrounding other short-term non-employee labor payments.

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

Condition: Conrad tested 9 transactions out of 210 transactions in the Other Short-Term Non-Employee Labor cost category, representing \$30,347 out of a total \$118,087 for these transactions, to determine if costs incurred under the Grant Agreement were reasonable, adequately supported, and properly approved. During our testing, we noted the following:

- All 9 transactions were not properly supported by attendance sheets or any other evidence to support the days worked by the short-term non-employee laborers. According to [REDACTED] Memorandum of Agreement (MoA) with each laborer, a signed and submitted attendance sheet is required for payment. [REDACTED] confirmed that no attendance sheets or any other evidence supporting the days worked were completed for any of the costs incurred in this cost category.
- In addition, the MoA required tally sheets to be produced weekly and monthly to support the nutrition, health and hygiene, protection, gender-based violence, and other awareness sessions performed by these laborers. At the end of fieldwork, [REDACTED] provided a few examples of tally sheets for the awareness sessions, and requested Conrad review these documents to see if the tally sheet example was sufficient to satisfy both the tally and attendance sheet requirements. Conrad reviewed the examples of the tally sheets provided and noted the following:
 - 1) The tally sheet does not clearly list the laborer's name in English. In addition, some instances were missing the name and signature of the worker, and/or the date worked.
 - 2) On the tally sheets, there was no detailed information on who had attended the training sessions. The tally sheet only listed the number of beneficiary attendees (attendees) each day and their genders; however, did not have an actual sign in section for the attendees to sign in certifying their actual attendance at the sessions.
 - 3) The tally sheet did not clearly list the type of awareness sessions being conducted. For example, one of the MoA requirements was to provide 4 days/month with 5 persons/attendees per session of [REDACTED]. [REDACTED] The tally did not clearly list the 3 services provided and only listed the title as Tally Sheet of Protection Awareness Sessions. Conrad was unable determine if each of the 3 awareness sessions were actually provided by the laborers.
 - 4) On some of the tally sheets, the number of beneficiaries required to be attended at each session was less than the required amount per the MoA.
 - 5) The tally sheet template required a second approval by the [REDACTED], almost all of the tally sheets provided were missing the manager's name and approval signature.

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Schedule of Findings and Questioned Costs (Continued)

Given the issues we noted above on the examples of the tally sheets provided, we found the tally sheets to be insufficient evidence.

As such, the questioned costs have been expanded to the entire Other Short-term Non-employee Labor cost category. This resulted in total unsupported costs of \$118,087.

Criteria:

Memorandum of Agreement (excerpt from 4 MoA versions), states in part:

“Profile of the Second Party: [REDACTED] The Second party is expected to conduct the above duties and responsibilities as set out in below ToR:

- 4 days/month of CP Awareness with 5 persons per session.
- 4 days/month of GBV Awareness with 5 persons per session.
- 4 days/month of PSN Awareness with 5 persons per session.
- Submit weekly/monthly tally sheet.
- Submit signed attendance sheet.

Profile of the Second Party: [REDACTED], based in [REDACTED]. The Second Party is expected to conduct the above duties and responsibilities as set out in below ToR:

- 3 days/month of general health and hygiene education with 10 beneficiaries per session. 5 sessions per day for 50 beneficiaries.
- 2 days/month dedicated to nutrition awareness (exclusive breastfeeding and weaning, food groups, malnutrition prevention) with 10 beneficiaries per session. 5 sessions per day for a total of 50 beneficiaries.
- 3 days/month dedicated to RH awareness (ANC, PNC, safe delivery, pregnancies at risk) with 10 beneficiaries per session. 5 sessions per day for a total of 50 beneficiaries.
- 10 days/month dedicated to protection awareness on CP and PwSN with 10 beneficiaries per session. 5 sessions per day for a total of 50 beneficiaries.
- Submit weekly/monthly tally sheets on awareness sessions and defaulter tracing.
- Submit signed attendance sheet.

Profile of the Second Party: [REDACTED] based in [REDACTED], [REDACTED]. The Second Party is expected to conduct the above duties and responsibilities as set out in below ToR:

- 3 days/month of general health and hygiene education with 10 men per session.
- 2 days/month dedicated to nutrition awareness (exclusive breastfeeding and weaning, food groups, malnutrition prevention) with 10 men per session.
- 3 days/month dedicated to RH awareness (ANC, PNC, safe delivery, pregnancies at risk) with 10 men per session.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Schedule of Findings and Questioned Costs (Continued)

- 8 days/month dedicated to screening and defaulter tracing for U5 and PLWs, with 10 UTPLWs screened per day.
- Submit weekly/monthly tally sheets on awareness sessions and defaulter tracing.
- Submit signed attendance sheet.

Profile of the Second Party: [REDACTED], based in [REDACTED]. The Second Party is expected to conduct the above duties and responsibilities as set out in below ToR:

- Hygiene awareness provided to each household in selected village.
- COVID-10 awareness to each household in selected village.
- 3 days/month dedicated to RH awareness (ANC, PNC, safe delivery, pregnancies at risk) to each HH.
- Submit weekly/monthly tally sheets on awareness sessions and defaulter tracing.
- Submit signed attendance sheet. ...”

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. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);*
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards;*
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards...”*

2 CFR 200.334, Retention requirements for records, states in part:

“Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report...”

2 CFR 200.400, Factors affecting accounting practices, states in part:

“The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
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Schedule of Findings and Questioned Costs (Continued)

of costs as required by the principles and must provide for adequate documentation to support costs charged to 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..."

Cause: Although the short-term non-employee laborers received payment for their work, [REDACTED] contended that they are volunteers and/or beneficiaries. Furthermore, [REDACTED] indicated that since the short-term non-employees are beneficiaries and part of the community where activities were implemented, it was unnecessary to maintain attendance sheets, even though such records of attendance were required by the MoA. [REDACTED] therefore, did not implement the requirement of the MoA and did not require any documentation for days worked to be completed or submitted prior to issuing the payments to the individuals.

In addition, [REDACTED] management did not develop and implement a strong controls policy and procedure surrounding tally sheet requirements, including not having any type of requirements for the beneficiaries attending the awareness sessions to complete a sign in sheet or similar documentation to verify services were provided.

Effect: Lack of attendance sheets for the days worked by the hired individuals and lack of sufficient controls surrounding the tally sheet requirements for individuals receiving services may have resulted in the United States Government overpaying for these labor payments. In addition, failure to document attendance of the laborers makes it uncertain whether the program objectives and desired impact specified in the MoA have been achieved.

Questioned Costs: We identified \$118,087 in unsupported costs and \$11,809 in associated indirect costs, which resulted in \$129,896 in total questioned costs.

Recommendation:

(1) We recommend that [REDACTED] provide support showing the days worked by the laborers and additional details demonstrating the beneficiaries received the session services, as well as adequate evidence showing that each laborer satisfied the required work to be performed in the signed Memorandum of Agreement or return \$129,896 of unsupported costs and associated indirect costs.

(Continued)

[REDACTED]

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(2) We recommend that [REDACTED] develop and implement additional policy and procedures surrounding the requirements of tally sheets and short-term laborer work performed, to clearly demonstrate who is the individual signed on the tally sheet, all required management approval is performed, the type of awareness session being conducted, and required beneficiaries receiving the awareness sessions sign-in to evidence they actually attended the session.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Finding 2023-02: Procurement requirements not followed.

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

Condition: Conrad tested 51 transactions out of 1,033 transactions in the Other Direct Costs (ODC) category, representing \$108,153 out of a total \$365,994 for these transactions. During our testing to determine if costs incurred under the Grant Agreement were adequately supported and allowable, we noted 15 instances where the relevant procurement documentation such as request for quotations, competitive bidding quotations from multiple vendors, comparative statement of quotations, and delivery notes were not provided.

- In 11 of these instances, [REDACTED] stated that transactions for internet services, communication services, facility and property rents and utilities were direct purchases and did not require the standard procurement process. However, they were unable to provide a Derogation Request Form as required by [REDACTED] Procurement policy or other similar documentation granting approval to bypass the standard procurement process.
- In 2 of these instances, [REDACTED] used the vehicle rental contract from a previous project and did not follow their procurement procedure to obtain current competitive bidding, request for quotations, purchase orders, delivery notes, and certificates of acceptance.
- In 2 of these instances, [REDACTED] procured the services of a private money dealer without following their procurement procedures.

This resulted in unsupported costs of \$21,117.

Criteria:

[REDACTED] **Procurement Manual, Section 6.5 Procurement Rules Exception and Deviation**, states in part:

6.5.1 Deviation from standard procurement procedures

“Any instance where the prescribed standard procurement procedures cannot be followed (due to justified reason), requires an approved Derogation Request prior to proceeding with purchase through the alternate approved process. Derogation Request is approved by [REDACTED] Director General upon review by the Internal Audit (see paragraph 6.5.4). In this case responsible staff should first make sure that derogation is allowed under the applicable Donor’s rules and regulations. If there are any questions on Donor’s requirements, the Grants Control and Compliance Unit at [REDACTED] HQ should be contacted in order to clarify Donor-specific considerations. Any instance where the prescribed standard procurement procedures cannot be followed (due to justified reason), requires approved Derogation Request prior to proceeding with purchase through the alternate approved process...”

(Continued)

[REDACTED]
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Schedule of Findings and Questioned Costs (Continued)

6.5.2 Types of Derogations

“The procedures stated in this Procurement Manual may be derogated, without submitting any internal request for derogation, in compliance with specific legal provisions or with donor’s compulsory procedures, whenever the latter may ensure a greater compliance with the principles of procurement (e.g., donors’ threshold are more restrictive thresholds compared to those adopted by [REDACTED]). Whenever [REDACTED] procedures ensure a greater compliance with the principles of procurement (e.g., [REDACTED] thresholds are more restrictive compared to those adopted by the donor) [REDACTED] procedures and thresholds shall be applied, without submitting any request for derogation to the donor. Below the summary of the different scenarios that may arise for the purpose of a request for derogation to the procurement procedures:

[REDACTED] Procedures	Donor Procedures	Request for Derogation
<i>The same procedure used by Donor</i>	<i>The same procedure used by [REDACTED]</i>	<i>The request for derogation shall be submitted to the Donor, unless [REDACTED] is not pre-qualified for procurement. The authorization issued by the Donor shall be sent to the Internal Audit for information and filed in the documents and records of the project.</i>
<i>More restrictive procedure</i>	<i>Less restrictive procedure</i>	<i>Any request for derogation shall be forwarded to the Internal Audit for inspection. Following review, the Internal Audit shall submit the request for authorization to [REDACTED] Director. The authorization shall be filed in the documents and records of the project for the purposes of internal control only.</i>

(Continued)

[REDACTED]

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<i>Less restrictive procedure</i>	<i>More restrictive procedure</i>	<i>Any request for derogation shall be submitted to the Donor only. The authorization issued by the Donor shall be sent to the Internal Audit and filed in the documents and records of the project.</i>
	<i>No procurement procedures in place</i>	<i>When the Donor does not have any procurement procedures, [REDACTED] procedures shall be mandatory. Any request for derogation shall be forwarded to the Internal Audit for review. Following a review, the Internal Audit shall submit the request for authorization to the Director General. The authorization shall be filed in the documents and records of the project for the purposes of internal control only.</i>

According to the procedure described in the above table, competitive bidding may not be necessary for contracts concerning:

- property rental,*
- utilities (water, energy and postal services),*
- communication (internet and mobile),*
- local transportation,*
- accommodation,*
- distribution (loading and offloading)*

Contracts may be awarded on the basis of a single offer and a request for derogation is not needed, provided that this contracting modality takes into account country specific context where market situation is not allowing the use of competitive bidding for this kind of services.

Exceptions to the competitive bidding procedures laid out in this document can be approved upon

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

submission of a Derogation Request only in the following cases and always in accordance with donor specific regulations:

- *In emergency situations, the exceptions to the competitive bidding process can be made to avoid delays. An emergency is defined as an unexpected situation that is so compelling that, if not corrected immediately, would endanger life, property or adversely affect essential operations. Additionally, the situation is so severe that it precludes procurement through the methods described in this document. Examples include the sudden influx of large numbers of refugees to an area without the infrastructure to support them, fire, flood or other natural disaster.*
- *Fixed Prices: Where prices or rates are fixed by national legislation or by regulatory bodies (may be the case for fuel in some areas).*
- *Technical reasons: Standardization of supplies, equipment or spare parts renders competition impractical. Moreover, for reasons connected with the protection of exclusive rights, the contract can only be awarded to a particular economic operator.*
- *Sole Supply: The proposed contract relates to procurement from a sole source of supply or services (e.g. sole authorized vendor/supplier of parts/services for a specific type of vehicle).*
- *Repetition: for additional contracts consisting in the repetition or renewal of services, works or supplies entrusted to a contractor which was awarded with an earlier contract in the same region, provided that the terms of the original contract are not substantially altered. The period elapsed from the award of the first contract shall not be longer than one year. Contracts are not to be renewed on these grounds more than twice, except where duly justified and documented.*
- *Additional Supplies, Works and Services: For additional supplies, works and services not included in the initial contract which, due to unforeseen circumstances, have become necessary for the performance of the contract, provided that the aggregate amount of additional supplies, works or services does not exceed 50% of the value of the principal contract.*
- *Local development: Where a limited number of local suppliers are available but due to the local economic situation it is more beneficial in terms of local development to avoid seeking bids from elsewhere.*

[REDACTED] **Procurement Manual, Section 3 General Policies and Rules**, states in part:

3.1 [REDACTED] Procurement Principles

[REDACTED] and its staff must maintain an auditable record of procurement activities, accept responsibility for their compliant processing and disclose results and outcomes of procurement activities in a transparent manner..."

3.5 Documentation of Procurement

"Procurement staff must carefully manage, store, and safeguard documentation in each procurement file during and after completion of the procurement action. Original documents must be provided to finance staff after the procurement is approved, and a copy should be kept in the procurement department. Delivery evidence and Quality Control evidence, where applicable, should be added to the file in both the finance and procurement departments as they become

(Continued)

[REDACTED]

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available. Individual procurement files must be archived per project (or where shared between projects, in a "shared-cost" folder)...

*It is the responsibility of the **Country Finance Coordinator** and/or of the **Finance Officer for programmes in [REDACTED]** to ensure that the original documents relating to every single tender are properly filed and enclosed to the financial reports of the relative project. Finance staff is responsible for maintaining procurement files in an auditable manner that satisfies Donor record retention requirements."*

[REDACTED] Organization, Management, and Control Model, states in part:

"The Head of Mission ensures that the documents related to the project and the local business structure, as well as the general documents, are properly filed and readily available, any controls requested, both internally or externally. After the project closure, the Head of Mission ensures the storage of all the documentation (in paper and electronic format) for the period required by the local law or, if longer, for the period required by the donor..."

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 200.334, Retention requirements for records, states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."

2 CFR 200.400, Factors affecting accounting practices, states in part:

"The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles and must provide for adequate documentation to support costs charged to the Federal award."

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

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

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

Cause: [REDACTED] management did not ensure the staff followed their procurement policies and procedures for non-standard direct purchase transactions that required an approved Derogation Request prior to proceeding with purchase through the alternate approved process. In addition, [REDACTED] did not have a strong policy for procurement that required all purchases to be competitive, but its derogation policy and procedures allow room for non-competition on purchases.

Effect: Weak procurement policy and procedures on direct purchases incurred may have increased the risk for non-competitive purchases which allows room for fraud, waste, and abuse and may have resulted in the United States Government overpaying for goods and services.

Questioned Costs: We identified \$21,117 in unsupported costs and \$2,112 in associated indirect costs, which resulted in \$23,229 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide sufficient procurement documentation for the transactions or return the questioned costs of \$23,229.
- (2) We recommend that [REDACTED] develop additional policies and procedures that require management to perform oversight to monitor procurement policies and procedures for non-standard direct purchase transactions.
- (3) We also recommend that [REDACTED] implement additional policies and procedures to ensure that all purchases should be competitively procured to the maximum extent practical.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Finding 2023-03: Costs not directly related to the Program were charged to the Program.

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

Condition: [REDACTED] provided Program employees lists that presented 19 expatriate staff and 195 Afghanistan national staff, of which Conrad tested 5 expatriate staff out of the 19, and 21 national staff out of the 195. The transactions selected to audit represent \$140,694 out of a total \$1,189,566 in the Salaries cost category to ensure they were adequately supported and allowable.

During our review of the Salaries cost category, we identified 7 additional expatriates and 5 additional Afghanistan national staff for which direct costs had been charged to the Program without supporting documentation such as timesheets, to show these 12 staff did indeed work directly on the Program. Without adequate support for hours worked on a program, these costs could have already been absorbed in their indirect cost rate. We expanded our review of the general ledger to identify costs related to these employees from all cost categories and found costs in Salaries, Travel & Transport, and Fringe Benefits. [REDACTED] was unable to provide evidentiary support to show why these staff should be charged directly to the Program. Therefore, the costs from salaries, travel & transport, and fringe benefits have been questioned as follows.

Cost Category	Instances	Questioned Cost
Salaries	24	\$ 10,642
Travel and Transport	23	8,496
Fringe Benefits	1	193
Totals:	48	\$ 19,331

All the instances noted above resulted in total ineligible costs of \$19,331.

Criteria:

Grant Agreement No. [REDACTED] **Indirect Costs**, states in part:

“Costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both...”

[REDACTED] Organization, Management and Control Model, states in part:

“The costs incurred by the Mission must be clearly separated in direct and indirect (or shared) costs since the purchases and their subsequent accounting...”

2 CFR 200.303, Internal Controls, states in part:

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

"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 200.413 (a), Direct Costs, states in part:

"General. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs."

Cause: [REDACTED] claimed that these were staff from Headquarters or other offices who were sent to Afghanistan to conduct emergency or special tasks in assisting the operations in Afghanistan. However, [REDACTED] did not have formal policies or procedures in place to maintain a clear audit trail or evidence to demonstrate that expatriates and national staff worked directly on the Program.

Effect: Lack of sufficient documentation for costs incurred and paid may have resulted in the United States Government overpaying for direct costs that either do not belong to the Program and/or could have already been charged to the Program as indirect costs.

Questioned Costs: We identified \$19,331 in ineligible costs and \$1,933 in associated indirect costs, which resulted in \$21,264 in total questioned costs.

Recommendation:

(1) We recommend that [REDACTED] provide evidence showing that these employees should be charged as direct costs and have not already been absorbed in the indirect costs or return \$21,264 of ineligible costs and associated indirect costs.

(2) We recommend that [REDACTED] develop a policy and procedure to ensure a clear audit trail and that evidence is maintained to demonstrate personnel, specifically expatriates and national staff, worked directly on the Program and to ensure the costs are not double charged both directly and indirectly to the program.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Finding 2023-04: Payment made to an individual or other vendor other than the supplying vendor.

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

Condition: Conrad tested 16 transactions out of 245 transactions in the Program Supplies and Equipment category, representing \$82,271 out of a total \$179,537 for these transactions. During our testing to determine if Program Supplies and Equipment costs incurred under the Grant Agreement were adequately supported and allowable, we noted the following:

- 1 instance out of the 16 transactions sampled where the vendor's name on the vendor agreement, vendor invoice, and individual's name on the payment voucher were all different.
- 2 instances out of the 16 transactions sampled where the payments were made to an entity other than the vendor on the vendor's agreement and invoice.

[REDACTED] was not able to provide documentation to show that the individual/vendor paid was related to the vendor or could take payments on behalf of the entity listed on the vendor contract, which resulted in ineligible costs of \$15,762.

Criteria:

[REDACTED] **Organization, Management and Control Model**, states in part:

“Payment related to the procurement of goods, works and services- except petty expenses such as stationery or beverages and foodstuffs for [REDACTED] internal use – is made upon acceptance and compliance of goods/works/services received against those ordered...”

[REDACTED] **Organization, Management and Control Model**, states in part:

“As party responsible for the project accounting records, and in order to prepare the financial reports for the donor, the Project Manager first checks all supporting documentation (for eligibility and proper allocation of the expenditures incurred on-the-spot and [REDACTED]) and signs it preferably prior to their recording...”

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...”

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Cause: Due to lack of management oversight, [REDACTED] did not ensure payments were made to the actual supplier's name stated on the vendor agreement. In addition, [REDACTED] did not have a policy and procedure to ensure an acknowledgement and/or approval is obtained from the suppliers when payments were made to other vendors/individual on their behalf. During the testing of the other transactions in these categories, we noted that on some of the other transactions, [REDACTED] did obtain such acknowledgement and/or approval from the supplying vendor.

Effect: Lack of sufficient evidence to ensure payments were made or received by the supplying vendor may have resulted in the United States Government paying incorrect vendors or the services/purchases were paid to a ghost vendor and the transactions can be fraudulent.

Questioned Costs: We identified \$15,762 in ineligible costs and \$1,576 in associated indirect costs, which resulted in \$17,338 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide sufficient documentation to show the payment was paid to the correct vendor or return \$17,338 in ineligible costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop an internal control monitoring policy and procedure to ensure management oversight performed and evidence maintained for payments are made to the supplying vendor's name, and if someone other than the supplying vendor is to receive the payment, proper acknowledgement or approval is obtained from the supplying vendor.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Finding 2023-05: Lacked adequate controls surrounding record retention and maintenance.

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

Condition: Conrad tested the following:

- 114 transactions out of 1,854 transactions in the Fringe Benefits category, representing \$14,475 out of a total \$186,584 in this category;
- 16 transactions out of 245 transactions in the Program Supplies and Equipment category, representing \$82,271 out of a total \$179,537 in this category;
- 51 transactions out of 1,033 transactions in the Other Direct Costs category, representing \$108,153 out of a total \$365,994 in this category; and
- 6 transactions out of 69 transactions in the Beneficiary Training category, representing \$4,599 out of a total \$12,357 in this category.

During our testing to determine if costs incurred under the Grant Agreement were adequately supported and allowable, we noted the following documents cannot be located:

Description	Cost Category	Instances	Questioned Cost
1) Missing procurement documentation			
[REDACTED] could not locate documentation of competitive bidding and evidence of the delivery of goods/ services for confirmed procurements.	ODC	2	6,322
Totals:		2	\$ 6,322
2) Lost supporting documentation			
[REDACTED] lost all supporting documentation during their office move from [REDACTED]	ODC	1	\$ 1,940
	Beneficiary Training	1	993
	Fringe Benefits	1	46
Totals:		3	\$ 2,979
3) Missing proof of payment			
[REDACTED] could not locate documentation of proof of payment.	Program Supplies and Equipment	1	\$ 1,394
Totals:		1	\$ 1,394

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

All the instances noted above resulted in total unsupported costs of \$10,695.

Criteria:

Award No. [REDACTED] Accounting, Audit, and Records, states in part:

“The recipient must maintain financial records, supporting documents, statistical records and all other records, to support performance of, and charges to, this award. Such records must comply with accounting principles generally accepted in the U.S., the cooperating country, or by the International Accounting Standards Board... Accounting records and supporting documentation must, at a minimum, be adequate to show all costs incurred under this award; receipt and use of goods and services ...”

[REDACTED] Organization, Management, and Control Model, states in part:

“The Head of Mission ensures that the documents related to the project and the local business structure, as well as the general documents, are properly filed and readily available, any controls requested, both internally or externally. After the project closure, the Head of Mission ensures the storage of all the documentation (in paper and electronic format) for the period required by the local law or, if longer, for the period required by the donor...”

[REDACTED] Procurement Manual, General Policies and Rules, states in part:

“[REDACTED] and its staff must maintain an auditable record of procurement activities, accept responsibility for their compliant processing and disclose results and outcomes of procurement activities in a transparent manner...”

[REDACTED] Procurement Manual, Documentation of Procurement, states in part:

“Procurement staff must carefully manage, store, and safeguard documentation in each procurement file during and after completion of the procurement action. Original documents must be provided to finance staff after the procurement is approved, and a copy should be kept in the procurement department. Delivery evidence and Quality Control evidence, where applicable, should be added to the file in both the finance and procurement departments as they become available. Individual procurement files must be archived per project (or where shared between projects, in a “shared-cost” folder)...”

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

[REDACTED] Organization, Management, and Control Model, states in part:

"Any payment made to an employee and associate must be made in line with performance quality and quantity, must be reasonable, and must comply with specifications for contracts in the specific sectors; any payment and related decision process must be documented..."

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 200.334, Retention requirements for records, states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."

2 CFR 200.400, Factors affecting accounting practices, states in part:

"The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles and must provide for adequate documentation to support costs charged to 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..."*

Cause: [REDACTED] management did not properly enforce their record retention and maintenance policy due to an oversight.

Effect: Lack of sufficient documentation for expenses paid and incurred may have resulted in the United States Government overpaying for goods and services.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Questioned Costs: We identified \$10,695 in unsupported costs and \$1,069 in associated indirect costs, which resulted in \$11,764 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide the missing procurement documentation and proof of payment, and any evidence for the documents that were lost in the office move for the transactions or return the questioned costs of \$11,764.
- (2) We recommend that [REDACTED] develop and implement additional policies and procedures to improve management oversight of record retention and maintenance.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
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Integrated Response in Hard to Reach Areas for Conflict Affected People in [REDACTED]
[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-06: Insufficient documentation for payroll costs charged to the program.

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

Condition: Conrad tested 138 transactions out of 2,121 transactions in the Salaries cost category, representing \$140,694 out of a total \$1,189,566 for these transactions. During our testing to determine if costs incurred under the Grant Agreement were adequately supported and allowable, we noted the following:

- 3 instances where the CCN employee’s salary paid exceeded the base salary listed in the employment agreement. This resulted in unsupported costs of \$1,216.
 - For one employee, the employment agreement stated that the employee’s salary was \$3,000 per month. Based on our review, the employee was paid more than \$3,000 for the months below without any justification. As such we are questioning a total of \$458 as shown below:

Salary Month	Salary Paid	Salary per Agreement	Questioned Cost
September 2021	\$ 3,008	\$ 3,000	\$ 8
October 2021	\$ 3,012	\$ 3,000	12
December 2021	\$ 3,193	\$ 3,000	193
January 2022	\$ 3,245	\$ 3,000	245
Totals			\$ 458

- For one employee, the employment agreement stated that the employee’s salary was 49,500 Afghan Afghanis (AFN) per month up to July 2021. Starting August 2021, a 13% bonus increase was given for the devaluation of the AFN increasing the base salary to 55,935 AFN per month. Based on our review the employee was paid more than the employment agreement amounts for the months below without any justification. As such we are questioning a total of \$289 as shown below:

Salary Month	Salary Paid	Salary per Agreement	Questioned Cost in AFN	Questioned Cost in USD
January 2021	50,500 AFN	49,500 AFN	1,000 AFN	\$ 13
February 2021	50,500 AFN	49,500 AFN	1,000 AFN	13
March 2021	50,500 AFN	49,500 AFN	1,000 AFN	13
April 2021	50,500 AFN	49,500 AFN	1,000 AFN	13
May 2021	50,500 AFN	49,500 AFN	1,000 AFN	13
June 2021	50,500 AFN	49,500 AFN	1,000 AFN	13

(Continued)

[REDACTED]
 Financial Audit of the Special Purpose Financial Statement for
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[REDACTED] Afghanistan Program

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Schedule of Findings and Questioned Costs (Continued)

July 2021	55,500 AFN	49,500 AFN	6,000 AFN	76
August 2021	59,071 AFN	55,935 AFN	3,136 AFN	39
September 2021	57,065 AFN	55,935 AFN	1,130 AFN	13
October 2021	57,065 AFN	55,935 AFN	1,130 AFN	13
November 2021	57,065 AFN	55,935 AFN	1,130 AFN	12
December 2021	57,065 AFN	55,935 AFN	1,130 AFN	13
January 2022	60,582 AFN	55,935 AFN	4,647 AFN	45
Totals				\$ 289

- For one employee, the employment agreement stated that the employee's salary was 42,500 AFN per month up to July 2021. Starting August 2021, a 13% bonus increase was given for the devaluation of the AFN increasing the base salary to 48,025 AFN per month. Based on our review the employee was paid more than the employment agreement amounts for the months below without any justification. As such we are questioning a total of \$469 as shown below:

Salary Month	Salary Paid	Salary per Agreement	Questioned Cost in AFN	Questioned Cost in USD
January 2021	43,500 AFN	42,500 AFN	1,000 AFN	13
February 2021	43,500 AFN	42,500 AFN	1,000 AFN	13
March 2021	43,500 AFN	42,500 AFN	1,000 AFN	13
April 2021	43,500 AFN	42,500 AFN	1,000 AFN	13
May 2021	43,500 AFN	42,500 AFN	1,000 AFN	13
June 2021	43,500 AFN	42,500 AFN	1,000 AFN	13
July 2021	48,500 AFN	42,500 AFN	6,000 AFN	76
August 2021	50,916 AFN	48,025 AFN	2,891 AFN	36
September 2021	50,755 AFN	48,025 AFN	2,730 AFN	32
October 2021	51,155 AFN	48,025 AFN	3,130 AFN	35
November 2021	54,855 AFN	48,025 AFN	6,830 AFN	75
December 2021	54,855 AFN	48,025 AFN	6,830 AFN	76
January 2022	54,306 AFN	48,025 AFN	6,281 AFN	61
Totals				\$ 469

- 11 instances where sufficient support was not provided to show how the hardship allowance was determined for CCN employees. [REDACTED] Emergency IR Standard Operating Procedures states that hardship allowances are calculated based on the level of risk and exposure by district for each employee. [REDACTED] stated that hardship allowances amounts were determined using the criteria included in the National Salary Policy provided by the Ministry of Health which allows the hardship allowance to be calculated in the range between 10% - 30% of the employee's basic salary based

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

on the provinces. However, [REDACTED] was not able to provide documentation of the hardship allowance calculation for each employee and how these employees met the criteria to determine the percentage of allowance they were entitled to. Finally, there was no USAID approval that allowed [REDACTED] to pay these allowances. This resulted in unsupported costs of \$4,181.

- 12 instances where CCN employees were incorrectly paid a bonus for additional hours worked on Saturdays in locations that were not approved by [REDACTED] internal documentation. The documentation submitted by [REDACTED] allowed bonuses for Saturdays worked in the [REDACTED] area. Of these 12 instances, there are 9 instances where the employees timesheet stated the employee did not work on Saturdays during the month, they received a bonus. This resulted in unsupported costs of \$120.

All the instances noted above resulted in total unsupported costs of \$5,517.

Criteria:

[REDACTED] HR Manual, Section 5.2. Compensation and benefits, Subsection 5.2.1, states in part:

Set Salary

The above-mentioned Collective Agreement set the minimum salary rates per each level, determining the floor or entry level of each grade...

Remunerations payment

...Staff members shall receive a payslip...also detail all the paid entitlements that maybe single out and all possible deductions, as stated in the individual contractual agreement..."

[REDACTED] HQ Payroll Workflow, Section3. Payroll Procedure, states:

"The [REDACTED] Human Resources department, in cooperation with the Finance department, has designed and implemented a standard monthly procedure aimed at:

- a. collecting necessary and protected data about the monthly work of each staff*
- b. processing accurately and effectively the information*
- c. setting controls able to identify errors and inaccuracies along the process*
- d. enabling a system of segregation of duties to guarantee an adequate level of internal control*
- e. facilitating checks and audit trail through a reliable archiving system hard- and soft-based"*

[REDACTED] Emergency IR – Standard Operating Procedures Duty of Care National Staff Afghanistan, Field/Hardship Allowances, states in part:

"...Eligibility criteria, amount and the list of positions are explained below. This allowance is for a temporary base only, considering the prevailing circumstances of the country. It will be reviewed and amended as needed.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Eligibility Criteria:

Staff under fixed term contract that are daily visiting to the field and communities in extreme hazardous situations and that are exposed to a risk that in this period goes beyond their contractual obligations.

Regarding the variation of the cost of life and the level of the risk in districts in which [REDACTED] is working, the hardship allowance will reflect this situation. Therefore, after analyzing the risk and level of exposure of [REDACTED] staff by district, in consultation with the management, an amount of AFN between 4,000 – 6,000 AFN as hardship allowance is given to below eligible staff depending on the district..."

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 200.334, Retention requirements for records, states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."

2 CFR 200.400, Factors affecting accounting practices, states in part:

"The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles and must provide for adequate documentation to support costs charged to 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]

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Schedule of Findings and Questioned Costs (Continued)

Cause: [REDACTED] Human Resources and Finance did not perform its supervisory review to ensure that policies and procedures were followed for the following areas of concern; that an employment agreement with the correct effective dates was in place, that the employees base salaries were calculated and paid correctly, that hardship allowances were provided only for employees that met the stated criteria and then documented for evidence of meeting the criteria, and that extra pay for Saturday work was not paid to those who did not work Saturday hours. In addition, [REDACTED] did not have sufficient policies and procedures in place to document who received the hardship allowance and the calculation for the amount of hardship pay given to the selected employees and to obtain approval from USAID on different allowances such as, hardship allowances during emergency situation.

Effect: Inadequate supporting documentation for payroll costs may have resulted in the United States government overpaying for CCN salaries and allowances.

Questioned Costs: We identified \$5,517 in unsupported costs and \$552 in associated indirect costs, which resulted in \$6,069 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide documentation to support that the salary payments, hardship allowances, and Saturday hours bonus pay incurred were allowable and calculated properly or return \$6,069 in ineligible costs.
- (2) We recommend that [REDACTED] develop additional policies and procedures, along with any needed criteria to document and support pay without an effective employment agreement in place, extra pay such as hardship allowances, and Saturday hours worked bonus pay, as well as obtain approval from the Donor for these allowance in emergency situations.
- (3) We recommend that [REDACTED] strengthen supervisory controls and review to ensure that documentation related to payroll costs is properly maintained and that costs incurred are reviewed prior to payment in order to ensure the correct costs are charged to the Program.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Finding 2023-07: Inquiries were not done on positive SAM/OFAC checks.

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

Condition: Conrad tested 6 transactions out of 69 transactions in the Beneficiary Training category, representing \$4,599 out of a total \$12,357 for these transactions; 16 transactions out of 245 transactions in the Program Supplies and Equipment category, representing \$82,271 out of a total \$179,537 for these transactions; 51 transactions out of 1,033 transactions in the Other Direct Costs category, representing \$108,153 out of a total \$365,994 for these transactions; and 9 transactions out of 210 transactions in the Other Short-Term Non-Employee Labor cost category, representing \$30,347 out of a total \$118,087 for these transactions. During our testing to determine if costs incurred under the Grant Agreement were adequately supported and allowable, we noted the following:

- Out of 6 transactions sampled for the Beneficiary Training cost category, we found 1 instance where no further investigation was done on a positive SAM.gov check result to show the individual was not the same individual on the exclusion list match. This resulted in total ineligible costs of \$226.
- Out of 51 transactions sampled for the ODC cost category, we found 3 instances where [REDACTED] did not conduct a SAM.gov/OFAC exclusion list check. Auditor's ran the exclusion check which resulted in positive matches. This resulted in total ineligible costs of \$747.
- Out of 16 transactions sample for the Program Supplies and Equipment cost category, we found 5 instances where [REDACTED] did not conduct a SAM.gov/OFAC exclusion list check. Auditors ran the exclusion check which resulted in positive matches. This resulted in total ineligible costs of \$4,690.
- Out of 9 transactions sampled for the Other Short Term Non-employee Labor cost category, we found 7 instances where [REDACTED] did not conduct a SAM.gov/OFAC exclusion list check for the individuals receiving payments as short-term laborers. Auditors ran the exclusion check on the name of these short-term laborers, which resulted in positive matches. This resulted in total ineligible costs of \$3,239.

Criteria:

Award No. [REDACTED] Debarment and Suspension, states in part:

"The recipient must not transact or conduct business under this award with any individual or entity that has an active exclusion on the System for Award Management (SAM) (www.sam.gov) unless prior approval is received from the Agreement Officer... Suspended or debarred entities or individuals are excluded from receiving any new work or any additional U.S. Government funding

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

for the duration of the exclusion period. If the recipient has any questions about listings in the system, these must be directed to the Agreement Officer...

[REDACTED] Anti Diversion of Fund Counterterrorism and Humanitarian Engagement policy, Section 4.3 Exclusion Situations, states in part:

"The responsibility for checking the presence of suppliers, as legal persons, and of legal representatives, as natural persons, in the lists released by anti-money laundering and counter-terrorism authorities lies with the Head of Mission and shall be performed:

- at the time of assessing suppliers' reliability, in the case of competitive negotiated procedures*
- at the time of issuing a written invitation to tender, in the case of Local Open, International Open or International Restricted procedures.*

For further information, please refer to the following websites: For further information, please refer to the following websites:

<https://www.treasury.gov/resourcecenter/sanctions/SDN-List/>

<https://www.sam.gov/portal/SAM/>

<https://www.sanctionsmap.eu>

<https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list>

..."

2 CFR Appendix II to Part 200, Contract Provisions for Non-Federal Entity Contracts Under Federal Awards, states in part:

"...(H) Debarment and Suspension (Executive Orders 12549 and 12689) – A contract award (see 2 CFR 180.2220) must not be made to parties listed on the governmentwide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR part 1986 Comp., p. 189) and 12689 (3 CFR part 1989 Comp., p.235), "Debarment and Suspension." SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well parties declared ineligible under statutory or regulatory authority other than Executive Order 12549..."

Cause: [REDACTED] stated the individuals that were not checked against an exclusion list were community volunteers, selected within the beneficiary community and were not required to be vetted against SAM.gov or OFAC. In addition, [REDACTED] was not able to provide any documentation of an investigation done on a positive SAM.gov result to show the individual receiving payment was not the same individual on the exclusion list match.

Effect: The United States Government may have paid funds to individuals connected to terrorist activities and on the federal exclusion list.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Questioned Costs: We identified \$8,902 in ineligible costs and \$891 in associated indirect costs, which resulted in \$9,793 in total questioned costs.

Please note for the amount questioned under the short-term labor category (\$3,239) and the associated indirect costs (\$324), these costs have already been questioned in Finding 2023-01. Therefore, in the SPSF presentation, these amounts were not questioned again under this finding. However, if these costs are found to be supported under Finding 2023-01, they would still be questioned and recommended to be refunded under this finding.

Recommendation:

- (1) We recommend that [REDACTED] provide support to demonstrate the individuals on the exclusion list matches are not the same individuals receiving payment or return \$9,793 in ineligible costs.
- (2) We recommend that [REDACTED] implement policies to ensure all individuals receiving payment are checked against the SAM.gov or OFAC exclusion list.
- (3) We recommend that [REDACTED] provide training to ensure that a positive match on the SAM.gov or OFAC exclusion list have further investigation to provide assurance that the individual is not connected to terrorist activities.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Finding 2023-08: Incorrect foreign exchange rate was used.

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

Condition: Conrad tested 16 transactions out of 245 transactions in the Program Supplies and Equipment category, representing \$82,271 out of a total \$179,537 for these transactions. During our testing to determine if Program Supplies and Equipment costs incurred under the Grant Agreement were adequately supported and allowable, we noted 4 instances out of the 16 transactions sampled where costs were overcharged to the program due to [REDACTED] using the daily exchange rate which is higher than the average monthly conversion rate methodology they usually used as stated in Note 3 to the SPFS, resulting in ineligible costs of \$2,643. All other samples tested that were paid in Afghani were recalculated to ensure the foreign exchange rate and conversion of the Afghani to United States Dollar is correct.

Criteria:

[REDACTED] **Organization, Management and Control Model**, states in part:

“As party responsible for the project accounting records, and in order to prepare the financial reports for the donor, the Project Manager first checks all supporting documentation (for eligibility and proper allocation of the expenditures incurred on-the-spot and [REDACTED]) and signs it preferably prior to their recording...”

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 200.400, Factors affecting accounting practices, states in part:

“The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles and must provide for adequate documentation to support costs charged to the Federal award.”

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

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

"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..."

Cause: Lack of management oversight and review resulted in [REDACTED] using an incorrect exchange rate for costs charged to the program.

Effect: Lack of sufficient documentation for costs incurred and paid may have resulted in the United States Government overpaying for goods and services through incorrect exchange rates.

Questioned Costs: We identified \$2,643 in ineligible costs and \$264 in associated indirect costs, which resulted in \$2,907 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide sufficient documentation to show the accuracy of the foreign exchange rates or return \$2,907 in ineligible costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop an internal control monitoring policy and procedure to ensure management oversight of the process to verify current and correct foreign exchange rates.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Finding 2023-09: Costs were incorrectly allocated and charged to the program.

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

Condition: Conrad tested 51 transactions out of 1,033 transactions in the Other Direct Costs category, representing \$108,153 out of a total \$365,994 for these transactions. During our testing to determine if Other Direct Costs incurred under the Grant Agreement were adequately supported and allowable, we noted 1 instance out of the 51 transactions sampled where hosting service vendor charges outside the period of performance of the program, were allocated to the program. [REDACTED] allocated 27% of the total cost to the program and was not able to provide documentation detailing how the allocation amount was determined. In addition, this service agreement was the yearly renewal for hosting services used on this program, however the agreement extended past this program's period of performance by 1 month. [REDACTED] did not provide supporting document to demonstrate only 11 months of the costs were being allocated this program, resulting in ineligible costs of \$2,087.

Criteria:

[REDACTED] **Organization, Management and Control Model**, states in part:

"As party responsible for the project accounting records, and in order to prepare the financial reports for the donor, the Project Manager first checks all supporting documentation (for eligibility and proper allocation of the expenditures incurred on-the-spot and [REDACTED]) and signs it preferably prior to their recording..."

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 200.405, 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:

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

(1) Is incurred specifically for the Federal award...*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. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis...*"

Cause: Lack of management oversight and review resulted in [REDACTED] not providing and maintaining documentation detailing how the allocation was determined and calculated for this transaction.

Effect: Lack of sufficient documentation for costs incurred and paid may have resulted in the United States Government overpaying for services through misallocation of costs.

Questioned Costs: We identified \$2,087 in ineligible costs and \$209 in associated indirect costs, which resulted in 2,296 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide detailed allocation support to determine the accuracy of the allocated shared costs or return \$2,296 in ineligible costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop an internal control monitoring policy and procedure to ensure management oversight of the process to verify allocation of shared costs.

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

Finding 2023-10: Overcharge of per diem costs.

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

Condition: Conrad tested 18 transactions out of 184 transactions in the Travel and Transport category, representing \$14,948 out of a total \$52,882 for these transactions. During our testing to determine if Travel and Transport costs incurred under the Grant Agreement were adequately supported and allowable, we noted one instance out of the 18 transactions sampled where per diem rates were overcharged. The employee traveled to [REDACTED] for 8 days and to [REDACTED] for 4 days and charged 12 days of accommodation costs at a daily rate of 3,000 Afghan Afghani (AFN). [REDACTED] overcharged per diem by 16,000 AFN resulting in ineligible costs of \$183 as follows:

Province	Number of Days	Costs Incurred Daily Rate	Total Costs Incurred	Allowable Amount Daily Rate	Total Allowable Costs	Questioned Costs (USD)
[REDACTED]	8	3,000 AFN	24,000 AFN	2,000 AFN	16,000 AFN	\$91.50
[REDACTED]	4	3,000 AFN	12,000 AFN	1,000 AFN	4,000 AFN	91.50
Total			36,000 AFN		20,000 AFN	\$183.00

Criteria:

[REDACTED] Regulation on Allowances, Per-diem and Incentives for National Staff, states in part:

“If an employee is required to travel for work purposes out of his duty station, [REDACTED] will provide travel and, whenever a facility exists in the designated area, accommodation. If accommodation and/or are not provided by [REDACTED] the employees have the right to receive a per diem for lodging and/or travel expenses according to the place of work, as follows.

- *Per diem for short mission is provided if the mission is expected to be limited to few days*
- *Per diem for long mission is provided if the mission is expected to be for at least one month*
- *Travel allowance is provided on round-trip if not provided by [REDACTED]*

Location	Daily per diem	Monthly per diem	Travel
[REDACTED]	2,000 AFN	15,000 AFN	1,000 AFN
[REDACTED]	1,000 AFN	12,000 AFN	800 AFN

...”

(Continued)

[REDACTED]

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Schedule of Findings and Questioned Costs (Continued)

[REDACTED] Organization, Management and Control Model, states in part:

“As party responsible for the project accounting records, and in order to prepare the financial reports for the donor, the Project Manager first checks all supporting documentation (for eligibility and proper allocation of the expenditures incurred on-the-spot and [REDACTED]) and signs it preferably prior to their recording...”

2 CFR 200.475 (b), Travel Costs, states in part:

“Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity’s written travel policy...”

Cause: Lack of management oversight and review resulted in [REDACTED] overcharging per diem costs to the program.

Effect: Lack of adequate controls in [REDACTED] internal monitoring over employees per diem resulted in the United States Government overpaying for per diem costs.

Questioned Costs: We identified \$183 in ineligible costs and \$18 in associated indirect costs, which resulted in \$201 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide sufficient documentation to show the accuracy of the per diem rates charged or return \$201 in ineligible costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop an internal control monitoring policy and procedure to ensure management oversight of the process to verify allowable per diem rates

(Continued)

[REDACTED]

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Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from [REDACTED] SIGAR, and USAID pertaining to Grant Agreement activities under this audit. We identified one prior audit report which contained one finding and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, including discussion with [REDACTED] management, and performed testing of similar activities during our audit. We have summarized the results of our procedures below:

1. USAID Audit of Awards Closed/Expired During the Year Ended December 31, 2021.

Finding 2019-01: Lack of evidence for Separate Maintenance Allowance qualification

Issue: The audit firm identified errors in the reported indirect costs in relation to [REDACTED] where \$57.67 had been overclaimed due to an indirect cost rate of 10.01% being applied to modified total direct costs rather than 10%.

Status: [REDACTED] agreed with the finding and implemented the following corrective actions. For new expat staff being deployed to carry out their duties for projects funded with United States government funds, a specific session will be held before their departure to present rules and the implications of non-compliance. For all the other staff that were currently contracted with [REDACTED] sessions were organized by country to recall rules and the implications of non-compliance. Based on our testing for the current engagement, we concluded that [REDACTED] has taken adequate corrective action on this finding.

[REDACTED]

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[REDACTED], Afghanistan Program

For the Period of October 1, 2020 through January 31, 2022

[REDACTED] **Responses to Audit Findings**

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

Rome, September 20, 2023

MANAGEMENT RESPONSES TO F253 AUDIT REPORT, DRAFT

Finding 2023-01

[Short-term Non-employee labor – Attendance sheets]

Despite the wording of the Memorandum of Agreement template (used for ██████████ Community volunteers) recognizes the Attendance sheet as one of the documents to process the due monthly payment, ██████████ kindly asks the Auditors and BHA to consider the following points:

- The mention of the attendance sheet in that template has been a clerical error from HR Office that should not be included in the form, as the attendance sheet could expose the organization to the potential risk of legal suits by volunteers, since the attendance sheet could demonstrate the attendance tracking by the employer (in fact, a large part of the template was simply copied from that one of the ordinary employment contract) which is typical of employment relationship, instead of volunteering relationship;
- Once this clerical error was identified, the new MoA template has been revised (as for 2022 new Volunteers' agreements);
- The lawyer consulted at that time by ██████████ on this subject, clarified the point: “[...] *if the [attendance sheet] is not provided [...] as per Clause 4 of the MoU, the payment is directly related to the performance of the Second Party and the payment will be made after completion of the work at the end and after satisfaction of Supervisor from work quality. In case ██████████ Supervisor is satisfied and the work is completed, the payment can be made to the person.*” Consequently, under the legal point of view, the achievement of the deliverable is the output able to trigger the payment (not the presence measured in working hours or working days, as applicable for the salaried staff).
- In line with the previous point, it is important to emphasize that Community Volunteers were coordinated and supervised by Community Supervisors (employed by ██████████ that verified their work and validated the monthly payments, under the hierarchical line of the Project Manager.
- Results and deliverables from the Community volunteers have been achieved as confirmed by many project monitoring tools (including the authorization chain, the Project appraisal tool and the tally sheets), and the hypothesis to fully reject the totality of such costs (\$ 118,087) appears disproportionate.
- The clerical error could not be spotted by the Volunteers, as they are largely illiterate (confirmed by the signature section of each contract/payment receipt, all thumb printed)

[Short-term Non-employee labor – Tally sheets]

provided a sample of tally sheets. These forms are compiled in Pashto (Afghanistan language), thumb printed by Community Volunteers and checked by Community Supervisors. These documents are essential to allow the monitoring of activities to our Community Supervisors. The tally sheet form can be improved, but anyhow it reports the essential information: days, number of participants broken down by category (IDPs, Documented Returnees, Undocumented Returnees, Host communities) by gender, subject of the session (on the header of each column), name, position and date of the staff submitting the form, name, position and signature of the staff performing the check.

Finding 2023-02

[internet services, communication services, facility and property rents and utilities]

As per Procurement Manual, competitive bidding may not be necessary for contracts concerning:

- property rental,
- utilities (water, energy and postal services),
- communication (internet and mobile),
- local transportation,
- accommodation,
- distribution (loading and offloading)

Contracts may be awarded on the basis of a single offer and a request for derogation is not needed, provided that this contracting modality takes into account country specific context where market situation is not allowing the use of competitive bidding for this kind of services.

A Derogation request form is not foreseen for such kind of service contracts therefore we cannot agree upon the auditors' request.

[Vehicle rentals]

Vehicle rental is a service contract formed as framework agreement as per Procurement Manual chapter 6.5.8. According to the Manual language, the Framework Contract is a contract aimed at supplying an unspecified volume of homogenous services or supplies in a limited period (one year). The Framework Contract is used in the case of repetitive purchases where there is no guaranteed volume or value. The Framework Contract doesn't commit the Contracting Authority to spend all the contract value. The Framework Contract allows to purchase without carrying out procurement procedure for each purchase. The Purchase Order (i.e., cut-off contract) should be used for making specific purchase, within the Framework Contract, detailing: quantity per type of supplies/services; site of delivery; timing of execution. When the total amount

of the Purchase Orders exceeds the maximum value, the Framework Contract automatically expires.

The two detected instances in which [REDACTED] do not provide competitive bidding dossier are related to car rental service procedures put in place in the past for previous projects through a framework contract and the documentation, due to the archive movements, has been lost or not properly archived.

[Money dealer]

[REDACTED] already provided the Auditor with the derogation request, duly approved by the General Director. We believe that the derogation procedure provided in the Procurement Manual, chapter 6.5 (Procurement Rules Exception and deviation) is compliant with high level of international standards. The Project Manager, when have to apply for a derogation, should first make sure that deviation is allowed under the applicable Donor's rules and regulations; secondly, in the event that circumstances do not allow for a specific purchase to follow the Procurement Manual or the Donor's rules/regulations, any instances in requesting derogation must be applied directly to the apical position of the organization which is the Director General. The decision for derogation involves a number of staff which is minimum four. The Project Manager initiates the process and a specific format called "request for derogation" has to be filled and sent to HQ after the validation by the Head of Mission. The request will be evaluated by the Internal Auditor at HQ level and approved or refused by the Director General. The procedure is the same regardless of the amount of the contract, and requests for derogation are not approved after the facts.

The only acceptable justifications for exceptions are listed in Paragraph 6.5.2 of the Procurement Manual and must be reported in the specific format. The procedure for the derogation approval is documented through the Exception Register kept at HQ Office.

Concerning the auditor's recommendation on implementation of additional stronger policies and procedures, [REDACTED] wants to underline that its Procurement Manual and Procurement Standard Operating Procedures, are based on, and governed in accordance with, the Practical Guide to Contract Procedures for EU External Actions (PRAG), with a set of appropriate forms and templates. The PRAG thus represent the minimum requirements and standards on the matter for the organization. For contracts above USD 40.000, contract general conditions and special conditions are based on PRAG templates. This will ensure compliance with EU law, with the regulation of the [REDACTED] as well as with international standards. Moreover, the [REDACTED] Procedures and Manual are assessed every four years by the UNHCR Procurement Service for acquiring the Status of Pre-qualification for Procurement (PQP). The last assessment was finalized on May 28th, 2021 and UNHCR granted the renewal of the PQP status to [REDACTED] until 2025 (see Attachment 16 for the UNHCR certificate of PQP Status granted).

Finding 2023-03

We have provided the timesheets for the staff (HQ based and non-HQ based) temporarily assigned to the BHA program (see attachment #1), namely:

[REDACTED]

Finding 2023-04

[Different names on vendors' documents]

The company [REDACTED] hardware store provided an old bank account that had been frozen from bank in 2021. In order to keep trackability of payments, [REDACTED] and the supplier preferred to use a bank method payment instead of cash. Only possibility to do a bank payment was by cheque, in the name of [REDACTED], which is one of the employees of the company.

[Payments to a different entity]

Due to the change in august 2021, many bank accounts of companies had been frozen. In order to keep trackability of payments, [REDACTED] and the supplier preferred to use a bank method payment instead of cash. Since [REDACTED] had good relationship with [REDACTED] that is another company which [REDACTED] had ongoing contract, asked INTERSOS to proceed with payment by cheque to the bank account of company [REDACTED]. This was the only possibility to proceed with payments, otherwise we risked stopping the purchasing of fundamental goods for beneficiaries and delays in project implementation.

In the attachment #2, we have included the letters from the above-mentioned suppliers.

Finding 2023-05

We acknowledge the finding.

Finding 2023-06

[Contract extension]

Relating to the staff named [REDACTED] [REDACTED] we already provided the contract extension applicable to the period 01 August 2021 – 31 December 2022. We enclose it again (see attachment #3).

[Hardship allowance]

We already explained how the hardship allowance was assigned and calculated, however we prepared and attached a written explanation with examples from two sampled [REDACTED] Staff. (see attachment #4)

Finding 2023-07

According to the [REDACTED] practice, the [REDACTED] and [REDACTED] are considered as Community beneficiaries, consequently exempted from the SAM/OFAC checks.

This practice has been recently revised (summer 2022) in order to increase [REDACTED] standards and provide a more comprehensive screening on the Non-employee labor.

[REDACTED] [REDACTED] are selected within the community as a matter of proximity, are not selected based on technical criteria, curriculum, experience but ideally because of part of the specific community and they could be considered as beneficiaries of our action. Furthermore, we are not going through any recruitment procedure so they should not be paired to a staff member. They may often get the services we are providing to the communities because part of them, thus recorded as direct beneficiaries of the activities.

The Annex to the Grant Contract signed with BHA, named '*Certifications, Assurances, Representations, and Other Statements of the Recipient*', 4 par. (3)(d), clearly states that ultimate beneficiaries must not be vetted via OFAC.

Consequently, we identify a material incoherence in the BHA regulations, as already discussed during the SIGAR Audit exit meeting.

Finding 2023-08

Both invoices are dated 30/12/2021, and as per accrual system, the exchange rate used is the one related to the period when invoices have been provided. Exchange rate in December 2021, as per UN website, is 90.00 USD/AFN

Description	AFN currency	Exchange rate USD/AFN	USD currency
[REDACTED]	922,635.00	90.00	10,251.50
[REDACTED]	913,500.00	90.00	10,150.00

Exchange rate can be checked in the link below.

<https://treasury.un.org/operationalrates/OperationalRates.php>



Finding 2023-09

We acknowledge the finding.

Finding 2023-10

We acknowledge the finding.

[REDACTED]

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

[REDACTED] disagreed with Findings **2023-01, 2023-02**, partially disagreed with Finding **2023-07, 2023-08**, acknowledged Findings **2023-05, 2023-09, 2023-10** and neither agreed nor disagreed with Findings **2023-03, 2023-04**, and **2023-06**. Auditor's rebuttals to [REDACTED] responses received related to the audit findings identified in this report are presented below:

Finding 2023-01:

[REDACTED] disagreed with the finding regarding the payment of short-term non-employee labor for the volunteers stating that despite the wording of the Memorandum of Agreement (MoA) template which lists the attendance sheet as one of the documents to process the monthly payment, the mention of the attendance sheet in the template is a clerical error from [REDACTED] human resources office and should not be included in the MoA.

[REDACTED] also stated that although the tally sheets can be improved, they report the essential information such as days, number of participants broken down by category, subject of the session, name, position, the date the form was submitted, and the name, position and signature of the staff performing the check.

Auditor's Rebuttal:

All of the MoAs reviewed during the audit were signed by the short-term non-employee laborer and by [REDACTED] acknowledging the requirement of an attendance sheet for each awareness session as required documentation for payment. The attendance sheets are necessary in order to verify the number days and hours worked by the community volunteer prior to payment and [REDACTED] was not able to provide any documentation to verify this information. If [REDACTED] believed the requirement of attendance sheets in the MoA was a clerical error, and there were no other compensating controls in place to ensure the attendance of the volunteers, there will be a lack of controls surrounding the accuracy of the attendance of the short-term non-employee laborers.

[REDACTED] did provide a sample of tally sheets and Conrad reviewed the tally sheets to see if they were sufficient to satisfy both the tally and attendance sheet requirements. However, as mentioned in the description for Finding 2023-01, the tally sheets provided had several deficiencies to include not being able to identify who the laborer was as there was no translation of the employee's name, missing detailed information on who attended the training, not listing the type of awareness session being conducted, not listing the required number of attendees for some sessions, and missing approvals and certifications. Also, [REDACTED] agreed that the tally sheet can be improved. As such, our finding and recommendations remain unchanged.

[REDACTED]

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Auditor's Rebuttal to [REDACTED] Responses to Audit Findings (Continued)

Finding 2023-02:

[REDACTED] disagreed with the finding and indicated that per their procurement manual, competitive bidding may not be necessary for contracts concerning property rental, utilities, communication, local transportation, accommodation, and distribution. [REDACTED] indicated that contracts may be awarded on the basis of a single offer and a request for derogation is not needed, provided this contracting modality takes into account country specific context where market situation is not allowing the use of competitive bidding for this kind of service. [REDACTED] stated that their procurement manual and procurement standard operating procedures are based on and in accordance with the Practical Guide to Contract Procedures for European Union External Actions.

Auditor's Rebuttal:

[REDACTED] is not in compliance with 2 CFR 200.318 which states the non-Federal entity's documented procurement procedures must conform to procurement standards identified in 2 CFR 200.317 through 200.327. During our review, [REDACTED] indicated that the transactions under question were direct purchases that did not follow their standard procurement process, however, [REDACTED] was unable to provide approved derogation request forms, as their procurement procedures required, for these transactions. [REDACTED] was able to provide derogation forms for similar transactions that did not follow their standard procurement process and those costs were not questioned. As such, our finding and recommendations remain unchanged.

Finding 2023-03:

[REDACTED] provided timesheets as their response for the temporary staff that was questioned.

Auditor's Rebuttal:

During fieldwork timesheets were requested from [REDACTED] to provide evidence that the staff costs were actually direct costs to the program, and no timesheets or other supporting documentation was provided by [REDACTED]. We have reviewed the timesheets provided along with the management responses and there are no dates to certify when the timesheets were signed and approved. As such, our finding and recommendations remain unchanged.

Finding 2023-04:

[REDACTED] stated that due to the bank accounts of suppliers being frozen in August 2021, the payments were made to employees of the supplier's company. [REDACTED] also included three (3) statements from the suppliers indicating who could receive payment for the company.

Auditor's Rebuttal:

[REDACTED] response stated the difficulty and challenges to ensuring the trackability of the payments during the time when the costs were incurred, however, during our testing, we did see other transactions

(Continued)

[REDACTED]

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Auditor's Rebuttal to [REDACTED] Responses to Audit Findings (Continued)

where adequate tracking was performed. In addition, during our fieldwork the auditors requested [REDACTED] provide any documentation showing authorization for the individuals who were paid; however, [REDACTED] did not provide documentation to show that the individual/vendor paid was related to the vendor or could take payments on behalf of the entity listed on the vendor contract. We have reviewed the documentation provided along with the management responses and the documents are electronically created with just a stamp and signature from the vendor, we are unable to determine if these documents were prepared at the time of payment or prepared recently. As such, our finding and recommendations remain unchanged.

Finding 2023-05:

[REDACTED] acknowledged the finding regarding missing procurement documentation, lost supporting documentation, and missing proof of payment.

Auditor's Rebuttal:

Based on [REDACTED] management response, Conrad concludes that [REDACTED] concurred with the finding. As such, no rebuttal to the finding is deemed necessary.

Finding 2023-06:

[REDACTED] provided the contract extension for the [REDACTED] for the period of August 01, 2021 – December 31, 2022.

[REDACTED] stated they have already explained how the hardship allowance was assigned and calculated and provided another document with written explanations and examples for two of the sampled staff.

Auditor's Rebuttal:

We reviewed the contract extension which shows the term of employment from August 1, 2021 to December 31, 2022 for the [REDACTED]. We have accepted this support and reduced the questioned costs in Finding 2023-06 by the base salary of \$3,000. However, the salary paid exceeded the base salary amount by \$245 which remains as questioned costs in this finding.

We reviewed the additional support provided for the hardship allowance; however, the support does not include the analysis that was conducted at the time to determine which staff were eligible for the hardship allowance. According to [REDACTED] policy for the hardship allowance, some staff are entitled to a hardship allowance based on meeting eligibility criteria and approval from the Head of Mission. [REDACTED] was not able to provide documentation of how staff were deemed eligible for a hardship allowance or the approval from the Head of Mission for the employees receiving a hardship allowance. In addition, [REDACTED] referenced adopting the same criteria from the Ministry of Health (National Salary Policy, applicable to 2016 – 2020), this policy is not applicable to the samples we tested, and the

(Continued)

[REDACTED]

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Auditor's Rebuttal to [REDACTED] Responses to Audit Findings (Continued)

allowance was paid in October 2021 which is after the de-facto government took over Afghanistan and the policy might no longer exist. Finally, the approved budget narrative did not specifically mention a hardship allowance or the specific criteria to entitle this hardship allowance. In addition, without a detailed analysis to demonstrate how these employees met the eligibility for the hardship allowance while other employees working in the same province did not meet the eligibility for the hardship allowance, brings more questions as to the allowability of these allowances. As such, our finding and recommendations remain unchanged.

Finding 2023-07:

[REDACTED] partially disagreed with the finding and indicated that the [REDACTED], and [REDACTED] are considered community beneficiaries and as such are exempt from SAM/OFAC checks. [REDACTED] did not comment on why the SAM/OFAC exclusion checks were not conducted on vendors. [REDACTED] stated [REDACTED] and [REDACTED] are selected within the community as a matter of proximity and are not selected based on technical criteria, curriculum, or experience and could be considered beneficiaries of the program thus often receiving the services provided to the community because they are part of that community. [REDACTED] also stated that the annex to the Grant Agreement named "Certifications, Assurances, Representations, and Other Statements of the Recipient" 4 par. (3)(d) states that ultimate beneficiaries must not be vetted via OFAC.

Auditor's Rebuttal:

[REDACTED] did not check vendors/laborers against SAM/OFAC exclusion lists in four (4) of the cost areas, beneficiary training, other direct costs, other short-term non-employee labor, and program supplies and equipment. The annex mentioned in [REDACTED] response was not provided with the signed Grant Agreement or during the fieldwork review and follow up. However, the contract does state in the Debarment and Suspension section that "*The recipient must not transact or conduct business under this award with any individual or entity that has an active exclusion on the System for Award Management (SAM) (www.sam.gov) unless prior approval is received from the Agreement Officer*". As such, our finding and recommendations remain unchanged.

Finding 2023-08:

[REDACTED] partially disagreed with the finding, indicating that two of the invoices are dated December 30, 2021 and that per the United Nations (UN) Treasury website the exchange rate used was 90.00 USD/AFN.

Auditor's Rebuttal:

[REDACTED] commented on two of the four instances questioned in this finding. The exchange rate of 90.00 USD/AFN mentioned in [REDACTED] response is the rate for December 1, 2021 and is lower than

(Continued)

[REDACTED]

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Auditor's Rebuttal to [REDACTED] Responses to Audit Findings (Continued)

the rate we used to recalculate the foreign exchange conversion in the transactions which were tested. We recalculated the cost using the InforEuro monthly exchange rate of 99.80 USD/AFN. If we used the rate [REDACTED] mentioned in the management response, the transactions would result in a higher questioned costs amount. As such, our finding and recommendations remain unchanged.

Finding 2023-09:

[REDACTED] acknowledged the finding regarding costs not being appropriately allocated to the Program.

Auditor's Rebuttal:

Based on [REDACTED] management response, Conrad concludes that [REDACTED] concurred with the finding. As such, no rebuttal to the finding is deemed.

Finding 2023-10:

[REDACTED] acknowledged the finding regarding an overcharge of per diem costs.

Auditor's Rebuttal:

Based on [REDACTED] management response, Conrad concludes that [REDACTED] concurred with the finding. As such, no rebuttal to the finding is deemed necessary.

(Continued)

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