

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 24-09 Financial Audit

USAID's

Program

: Audit of Costs Incurred by

In accordance with legal requirements, SIGAR has redacted from this report certain information because it is proprietary, could impact public safety, privacy, or security, or is otherwise sensitive.



JANUARY
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On July 15, 2020, the U.S. Agency for International Development (USAID) awarded a \$4,500,000 grant to [REDACTED]

[REDACTED] to support an [REDACTED] program [REDACTED]

The grant's purpose was to provide basic health care through mobile health teams in targeted regions of Afghanistan and strengthen existing health facilities. USAID modified the grant one time; the modification did not affect the total grant amount or change the period of performance, which expired on March 31, 2022.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$4,500,000 in costs charged to the grant from October 1, 2020, through March 31, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in [REDACTED] internal controls related to the grant; (2) identify and report on instances of material noncompliance with the terms of the grant and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether [REDACTED] has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of [REDACTED] Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

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

January 2024

USAID's [REDACTED] Program [REDACTED]
: Audit of Costs Incurred by [REDACTED]

SIGAR 24-09-FA

WHAT SIGAR FOUND

Conrad identified one material weakness, two significant deficiencies, and one deficiency in [REDACTED] internal controls, as well as four instances of noncompliance with the terms of the grant. For example, [REDACTED] did not provide any supporting documentation showing that 300 transactions tested for shared costs charged to the grant were accurate or based on an actual level of effort, and [REDACTED] was unable to demonstrate that it had a reasonable and equitable allocation methodology to properly charge shared costs across programs. Similarly, Conrad also found three instances of ineligible costs related to a guest house fire in which [REDACTED] charged fire-related settlement costs, legal advisory fees, and replacement of lost items to the program without written prior approval from USAID. Furthermore, [REDACTED] did not provide supporting documentation to show that some staff costs were appropriately charged directly to the program. SIGAR notified [REDACTED] of the deficiencies and compliance issues prior to publication of this report.

Because of the significant deficiencies in internal controls and the instances of noncompliance, Conrad identified \$410,991 in total questioned costs. The questioned costs consisted of \$372,789 unsupported costs—costs not supported with adequate documentation or that do not have required prior approval—and \$38,202 ineligible costs—costs prohibited by the agreement or applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Salaries	\$16,154	\$173,100	\$189,254
Other Costs		\$12,665	\$12,665
Other Direct Costs	\$19,672	\$163,374	\$183,046
Training	\$0	\$470	\$470
Indirect Costs	\$2,376	\$23,180	\$25,556
Total Costs	\$38,202	\$372,789	\$410,991

Conrad identified three prior audit reports containing 11 findings that could have a material effect on the SPFS and other financial data that are significant to this audit's objectives. Conrad conducted follow-up procedures and concluded that [REDACTED] had taken adequate corrective action on 6 findings. The other 5 findings were not adequately addressed and are repeated under this audit.

Conrad issued a modified opinion on [REDACTED] SPFS because of material questioned costs identified during this audit.

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, \$410,991 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's four internal control findings.
3. Advise [REDACTED] to address the report's four noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

January 11, 2024

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

Mr. Joel Sandefur
Mission Director, U.S. Agency for International Development

We contracted with Conrad LLP (Conrad) to audit the costs incurred by [REDACTED] under a grant awarded U.S. Agency for International Development (USAID) to support an [REDACTED] program in [REDACTED].¹ The grant's purpose was to provide basic health care through mobile health teams in targeted regions of Afghanistan and strengthen existing health facilities. Conrad reviewed \$4,500,000 in costs charged to the grant from October 1, 2020, through March 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, \$410,991 in questioned costs identified in the report.**
- 2. Advise [REDACTED] to address the report's four internal control findings.**
- 3. Advise [REDACTED] to address the report's four 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 23, 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 planned completion for the recommendations to sigar.pentagon.audits.mbx.recommendation-followup@mail.mil, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-263)

¹ The grant no. is [REDACTED]

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the United States Agency for International Development
to support the [REDACTED]
[REDACTED] Program

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

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November 7, 2023

Board of Directors
[REDACTED]

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 to support the [REDACTED] Program, for the period October 1, 2020 through March 31, 2022.

On September 13, 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 October 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 agreement.

Sincerely,

Sam Perera, CPA, CFE, CITP, CGMA
Partner

[REDACTED]

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

[REDACTED]

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

Background

On July 15, 2020, the United States Agency for International Development (USAID), Office of U.S. Foreign Disaster Assistance, awarded Grant Agreement No. [REDACTED] (Agreement) to [REDACTED] (Program). In 2021, USAID combined OFDA with the Office of Food for Peace to create the Bureau of Humanitarian Assistance.

The purpose of the agreement was to provide basic health care through mobile health teams in targeted regions of Afghanistan and strengthen existing health facilities to ensure the sustainability and impact of the program. [REDACTED] role was to support trauma care services, improve services in existing health facilities, and provide emergency health care and nutrition education in targeted communities. [REDACTED] stated objectives for the Program are as follows:

- Provide emergency trauma care and psychosocial support through assisting 14 first aid trauma posts in conflict affected areas.
- Provide integrated range of emergency services (primary health care, nutrition, psychosocial support, hygiene promotion, referrals to higher level health facilities) through five mobile health teams plus one emergency mobile health team.
- Improve nutrition status of [REDACTED] through support to therapeutic feeding units, creation of five community nutrition teams, nutrition education and management of severe acute malnutrition, and moderately acute malnutrition cases.
- Improve access to safe water supply and sanitation facilities in already existing 12 health facilities through rehabilitation of critical water and sanitation infrastructure.
- Improve quality of provided health care services, especially [REDACTED] in nine health facilities through rehabilitation of core medical facilities (delivery rooms, [REDACTED] etc.) and technical support (comprehensive emergency [REDACTED] basic life support, and advanced life support) as well as nutrition counseling, psychosocial services, and psychological first aid trainings.
- Ensure comprehensive support to [REDACTED] through provision of referral support – service mapping, referrals to upper-level health facilities, transportation support through cash allowances or provision of ambulances for complicated trauma cases, complicated severe acute malnutrition cases, [REDACTED] and mental disorder cases.

(Continued)

[REDACTED]

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

[REDACTED] Program

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

- Conduct a comprehensive mental health and psychological support study to better understand the challenges, needs, and gaps in accessing these services by the communities in [REDACTED] Afghanistan.

The initial award amount was \$4,500,000, for the period of performance from October 1, 2020 through March 31, 2022. USAID modified the agreement one time, which did not have an impact on the total award amount or the period of performance. See the *Summary of Agreement* below.

Summary of Agreement

Agreement Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
[REDACTED]	\$4,500,000	10/01/20	03/31/22	1	No change	No change

* - Indicates the award is a close-out.

[REDACTED] is a non-profit, non-governmental organization headquartered in [REDACTED] works in Africa, Asia, Europe, and the Middle East, and is the result of a [REDACTED]

Work Performed

Conrad LLP (Conrad) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of the agreement, as mentioned above, of [REDACTED] Special Purpose Financial Statement (SPFS) for revenue received and costs incurred under the Program both totaling \$4,500,000 for the period October 1, 2020, through March 31, 2022.

Objectives, Scope, and Methodology

Audit Objectives

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

(Continued)

[REDACTED]

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

[REDACTED]
Program

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

- *Special Purpose Financial Statement* – Express an opinion on whether [REDACTED] SPFS for the agreement presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of [REDACTED] internal controls related to the agreement, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether [REDACTED] complied, in all material respects, with the agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether [REDACTED] has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Scope

The scope of this audit included all revenue received and costs incurred during the period of October 1, 2020 through March 31, 2022, totaling \$4,500,000 under the agreement. Our testing of the indirect cost charged to the agreement was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (NICRA) and subsequent applicable amendments.

Audit Methodology

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

Entrance Conference

An entrance conference was held on March 28, 2023, 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.

(Continued)

[REDACTED]

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

[REDACTED] Program

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

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.
 - Any regulations that are 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.
 - 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 are properly recorded.

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the agreement, and the applicable 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 agreement;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved provisional and final negotiated indirect cost rates to ensure that they were accurately applied.

(Continued)

[REDACTED]

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

[REDACTED]
Program

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

Internal Controls Related to the Agreement

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

Compliance with the Agreement Requirements and Applicable Laws and Regulations

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

Corrective Action on Prior Findings and Recommendations

We requested prior audit reports, engagements, or assessments from [REDACTED] SIGAR and USAID, as well as conducted a search online of various governmental websites to determine if there were any findings and recommendations that could have a material effect on [REDACTED] SPFS. See the *Status of Prior Audit Findings* section on page 30.

Exit Conference

An exit conference was held on August 24, 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 due to the aggregated questioned costs which are material to the SPFS.

We identified \$410,991 in total questioned costs, which comprised \$38,202 in ineligible costs and \$372,789 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the agreement's provisions or applicable laws and regulations, or not related to the

(Continued)

[REDACTED]

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

[REDACTED] Program

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

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 situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

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*.

Internal Controls

Our audit identified four internal control findings. One internal control finding is considered to be a material weakness, two internal control findings are considered to be significant deficiencies, and one internal control finding is considered to be a deficiency. See *Independent Auditor's Report on Internal Control* on page 17.

Compliance

The results of our testing identified four instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 19.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. [REDACTED] did not self-disclose any instances of alleged fraud that could have a potential impact on the Program and the SPFS. 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	Internal Control – Material Weakness and Non-compliance	Costs were charged to the program based on budget estimates.	\$ -	\$ 372,789	\$ 372,789

(Continued)

[REDACTED]

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

[REDACTED] Program

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

2023-02	Internal Control - Significant Deficiency and Non-compliance	Settlement costs were charged to the Program without USAID approval.	20,757	-	393,546
2023-03	Internal Control – Significant Deficiency and Non-compliance	Costs not directly related to the Program were charged to the Program.	17,225	-	410,771
2023-04	Internal Control – Deficiency – and Non-compliance	Costs reported to USAID exceed actual cost incurred.	220	-	410,991
Total Questioned Costs			\$ 38,202	\$ 372,789	\$ 410,991

(Continued)

[REDACTED]

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

[REDACTED]
Program

For the Period of October 1, 2020 through March 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]'s activities under the agreement. We identified three prior audit reports that contained 11 findings 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 six findings and the other five findings were not adequately addressed and are repeated under this audit. See *Status of Prior Audit Findings* on page 30 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 and acknowledged this finding and noted that the methodology used by [REDACTED] has been reviewed by other auditors and by USAID for many years. However, after the prior two audits they have reviewed the allocation methodology and will completely review the methodology internally in 2024.
- (2) **Finding 2023-02:** [REDACTED] acknowledged this finding.
- (3) **Finding 2023-03:** [REDACTED] disagreed with this finding and submitted timesheets to support the employee's salary costs charged to the Program.
- (4) **Finding 2023-04:** [REDACTED] disagreed with this finding stating that costs invoiced in US dollars are converted to Afghanis for payment then converted back to US dollars using a monthly exchange rate due to the high inflation and volatility of the local currency.

In addition, [REDACTED] provided responses to the Status of Prior Audit Findings section for each of the prior findings and recommendations listed (the complete responses received can be found at *Appendix A* to this report).

(Continued)



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

Board of Directors
[REDACTED]

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of [REDACTED] and the related notes to the Special Purpose Financial Statement, with respect to the Grant Agreement No. [REDACTED] (Agreement) awarded by the United States Agency for International Development (USAID) to support the [REDACTED] for the period of October 1, 2020 through March 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 March 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 \$410,991 in aggregated questioned costs resulting from the material weakness, 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 Note 2 (a) to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the

(Continued)

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 23, 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 23, 2023

[REDACTED]

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

[REDACTED] Program

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

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
Grant Agreement No. [REDACTED]	\$ 4,500,000	\$ 4,500,000	\$ -	\$ -	\$ -	
Total revenues	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	(4)
Costs incurred:						
Equipment at or above \$5,000	185,759	186,283	-	-	-	
Fringe Benefits	[REDACTED]	[REDACTED]	-	-	-	
Other Costs	22,500	12,665	-	12,665	12,665	(A)
Other Direct Costs	472,425	557,957	19,672	163,374	183,046	(B)
Other Short-term "Non-Employee"						
Labor	1,170	3,629	-	-	-	
Overseas Allowances – In-Country Per						
Diem	104,177	89,982	-	-	-	
Program Supplies	1,287,421	1,376,715	-	-	-	
Salaries	2,103,385	1,919,404	16,154	173,100	189,254	(C)
Training	5,389	3,396	-	470	470	(D)
Travel and Transport	30,249	49,986	-	-	-	
Indirect Costs	[REDACTED]	[REDACTED]	2,376	23,180	25,556	(E)
Total costs incurred	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 38,202</u>	<u>\$ 372,789</u>	<u>\$ 410,991</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]

[REDACTED]
Program

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

Notes to Special Purpose Financial Statement¹

(1) Basis of Presentation

The accompanying Special Purpose Financial Statement (the Statement) includes costs incurred under Grant Agreement No. [REDACTED] for the [REDACTED] Program” for the period October 1, 2020, to March 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 Grant Agreement No. [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) Summary of Significant Accounting Policies

a. Basis of Accounting

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

b. Foreign Currency Conversion Method

The Statement contains expenses translated into US dollars (USD). All expenses are converted into USD by using the OANDA or [REDACTED] exchange rate, as per [REDACTED] accounting practices.

(3) Revenues

Revenues on the Statement represent the amount of funds [REDACTED] received from USAID between October 1, 2020 and March 31, 2022 for a total amount of \$4,500,000 for allowable and eligible costs incurred under the agreement.

(4) Cost Incurred by Budget Category

The budget categories and associated amounts presented reflect the budget line items presented within the final, approved contract budget adopted as Grant Agreement No. [REDACTED] dated 07/15/2020.

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]

[REDACTED] Program

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

Notes to Special Purpose Financial Statement¹

(5) 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.

(6) Program Status

Agreement No. [REDACTED] is now closed. The period of performance for the agreement expired on March 31, 2022.

(7) Indirect Cost

[REDACTED] has an approved NICRA which establishes the following indirect cost rates:

Type	EFFECTIVE PERIOD		INDIRECT COST RATES
	From	Through	Overhead
Final	[REDACTED]	[REDACTED]	[REDACTED]
Provisional	[REDACTED]	[REDACTED]	[REDACTED]
Provisional	[REDACTED]	[REDACTED]	[REDACTED]

(8) Subsequent Events

[REDACTED] has performed an analysis of the activities and transactions subsequent to the October 1, 2020, through March 31, 2022, period covered by the Statement. Management has performed their analysis through October 23, 2023.

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]

[REDACTED] Program

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

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Other Costs

[REDACTED] reported a total of \$12,665 for Other Costs for the period of October 1, 2020 through March 31, 2022.

During our audit of these costs, we noted costs were allocated based on a methodology using relative budget funding from different donors, resulting in unsupported Other Costs of \$12,665. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.

(B) Other Direct Costs

[REDACTED] reported a total of \$557,957 for Other Direct Costs for the period of October 1, 2020 through March 31, 2022.

- Costs were allocated based on a methodology using relative budget funding from different donors, resulting in unsupported Other Direct Costs of \$163,374. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs incurred lacked approval documentation from USAID for settlement related costs charged to the Program, resulting in ineligible Other Direct Costs of \$19,466. See **Finding No. 2023-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs charged to the Program exceeded the US dollar amount listed on the invoice, resulting in ineligible Other Direct Costs of \$206. See **Finding No. 2023-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Other Direct Costs of \$183,046, consisting of \$163,374 in unsupported costs and \$19,672 in ineligible costs.

(C) Salaries

[REDACTED] reported a total of \$1,919,404 for Salaries for the period of October 1, 2020 through March 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]

[REDACTED]
[REDACTED] Program

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

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

- Costs were allocated based on a methodology using relative budget funding from different donors, resulting in unsupported Salaries costs of \$173,100. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- 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 salaries costs of \$16,154. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Salaries costs of \$189,254, consisting of \$173,100 in unsupported costs and \$16,154 in ineligible costs.

(D) Training

[REDACTED] reported a total of \$3,396 for Training for the period of October 1, 2020 through March 31, 2022.

During our audit of these costs, we noted costs allocated based on a methodology using relative budget funding from different donors. This resulted in unsupported Training costs of \$470. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.

(E) Indirect Costs

[REDACTED] reported a total of [REDACTED] for Indirect Costs for the period of October 1, 2020 through March 31, 2022.

The indirect costs associated with questioned costs identified in Notes A, B, C, and D above resulted in total unsupported indirect costs of \$23,180 and total ineligible indirect costs of \$2,376. This resulted in total questioned indirect costs of \$25,556.

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.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
[REDACTED]

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

We have audited, the Special Purpose Financial Statement (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 [REDACTED] Program for the period of October 1, 2020 through March 31, 2022. We have issued our report thereon dated October 23, 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 March 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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weakness, significant deficiencies, and deficiency.

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. We considered the deficiency described in the

(Continued)

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accompanying *Schedule of Findings and Questioned Costs*, as Finding 2023-01 to be a material weakness.

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. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2023-02 and 2023-03 to be significant deficiencies and Finding 2023-04 is considered to be a deficiency.

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

Restriction on Use

This report is intended for the information of █, 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 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 23, 2023

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
[REDACTED]

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

We have audited, the Special Purpose Financial Statement (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 [REDACTED] Program, for the period of October 1, 2020 through March 31, 2022. We have issued our report thereon dated October 23, 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 four 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, and 2023-04.

[REDACTED] 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.

(Continued)

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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 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 23, 2023

(Continued)

[REDACTED]

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

[REDACTED] Program

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

Schedule of Findings and Questioned Costs

Finding 2023-01: [REDACTED] Charged Costs to the Program Based on Budget Estimates and Lacked an Equitable Allocation Methodology.

Nature of Finding: Internal Control – Material Weakness and Non-Compliance

Condition: Conrad tested 607 out of 15,722 transactions for all cost categories to determine if the costs incurred under the program were reasonable, adequately supported, and properly approved. For costs that are shared among different programs in Afghanistan including salaries and other costs, [REDACTED] charged costs based on the proposed budget estimates. However, [REDACTED] did not provide any supporting documentation showing that actual shared costs incurred were accurate and/or the costs were based on an actual level of effort. [REDACTED] was unable to demonstrate that it had a reasonable and equitable allocation methodology to adequately charge shared costs across programs. Due to lack of supporting documentation, we determined the following unsupported costs:

SPFS Cost Category	Number of Instances	Unsupported Costs
Salaries	256	\$ 173,100
Other Direct Costs	42	163,374
Training	1	470
Other Costs	1	12,665
Total:	300	\$ 349,609

Criteria:

[REDACTED] Procedure for the Allocation of Shared Costs, Section 1, states in part:

“Allocation keys allow expenses to be allocated to donors up to a certain amount determined when the budgets are created. For a specific budget line, the calculation of this amount is based on fair allocation and can be traced back to the estimated total amount to be spent...”

The numerator is calculated based on the budget of Aid for the project for which the key is being calculated...

The denominator is calculated based on the sum of the budgets of Aid for the projects affected by the cost to which the key applies (in other words the projects that will support the expense).”

[REDACTED] Finance Procedures Manual, Section 7, Allocation of Shared Costs, states:

“Defining an allocation method for shared costs allows us to distribute across budgets expenses that cannot be entirely attributed to one specific project. These costs must therefore be shared in a fair and transparent manner by donors (in other words, fairly distributed using an allocation key for each expense).”

(Continued)

[REDACTED]

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

[REDACTED] Program

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

Schedule of Findings and Questioned Costs (Continued)

2 CFR 200.430 (i), Compensation-personal services, states in part:

Standards for Documentation of Personnel Expenses

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed...

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that ...

... (C) The Non-Federal entity's system of internal controls includes processes to review after-the-fact interim changes made to a Federal award based on budget estimates..."

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

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

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

(g) Be adequately documented..."

2 CFR 200.405 (a), Allocable Costs, states in part:

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

(1) Is incurred specifically for the Federal award..."

2 CFR 200.405 (d), Allocable Costs, states in part:

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: [REDACTED] did not develop and document a method for allocating shared costs across programs and did not have a reasonable and equitable allocation methodology for allocating shared costs across programs. [REDACTED] method for allocating shared costs was based on budget estimates and not on actual costs incurred. In addition, [REDACTED] did not perform an after-the-fact review or provide documentation to

(Continued)

[REDACTED]

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

[REDACTED] Program

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

Schedule of Findings and Questioned Costs (Continued)

demonstrate that (1) the budget estimates were accurate and adequately reflected costs charged and (2) costs were appropriately charged across programs to reflect the level of the work performed.

Effect: Lack of an adequate review of allocated shared costs and a system to keep track of actual level of effort increases the risk of overcharging costs to the U.S. Government.

Questioned Costs: We identified \$349,609 in unsupported costs and \$23,810 in associated indirect costs, which resulted in \$372,789 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide additional support to demonstrate the accuracy of their cost allocations or return \$372,789 of unsupported costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop and implement an after-the-fact system control, such as a timekeeping system, that can record and retain the actual level of effort spent on different programs and use the actual level of effort to allocate other personnel expenses that cannot be easily determined when the costs benefit two or more projects.
- (3) We recommend that [REDACTED] develop and implement additional policy and procedures to review interim or estimated budget allocations and create a reasonable and equitable allocation methodology to ensure that other shared costs charged across programs are proportionate to actual benefits associated with the programs.

(Continued)

[REDACTED]

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

[REDACTED] Program

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

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-02: Unallowable Settlement Costs Charged to the Program.

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

Condition: Conrad tested 55 out of 1,278 transactions in the Other Direct Costs (ODC) cost category to determine if the costs incurred under the program were reasonable, adequately supported, and properly approved. During our testing, we noted the following:

We identified three instances in ODC where [REDACTED] charged settlement related costs from a fire to one of the rented guest houses to the program without written prior approval from USAID.

- 1) One instance where settlement costs from the guest house fire was charged to the Program. This resulted in \$13,250 in ineligible costs and with \$879 in associated indirect costs.
- 2) One instance where legal advisory fees related to this settlement were charged to the Program. This resulted in \$5,727 in ineligible costs and with \$380 in associated indirect costs.
- 3) One instance where the replacement of clothes, shoes, and personal hygiene items lost in the fire, and costs for temporary housing after the fire were charged to the Program. This resulted in \$489 in ineligible costs and with \$32 in associated indirect costs.

The three instances above resulted in total ineligible costs of \$19,466.

Criteria:

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

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

2 CFR 200.303, Internal Controls, states in part:

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

Cause: [REDACTED] was not aware of the need for approval from USAID to claim these costs under the Program, as per the CFR requirements, which resulted in [REDACTED] not adhering to federal regulations regarding settlement costs and in [REDACTED] incurring costs that are ineligible to the Program.

(Continued)

[REDACTED]

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

[REDACTED] Program

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

Schedule of Findings and Questioned Costs (Continued)

Effect: Failure to request prior written approval from USAID resulted in ineligible costs being charged to the Program and the United States Government overpaying for unallowable costs.

Questioned Costs: We identified \$19,466 in ineligible costs and \$1,291 in associated indirect costs, which resulted in \$20,757 in total questioned costs.

Recommendation:

(1) We recommend that [REDACTED] provide evidence showing USAID's approval for settlement costs and settlement related costs being charged to the Program or return \$20,757 of ineligible costs and associated indirect costs.

(2) We recommend that [REDACTED] provide training to staff for familiarity with and adherence to 2 CFR 200 requirement, to ensure proper approval is obtained for any fines, penalties, damages, or settlement costs charged to the Program.

(Continued)

[REDACTED]

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

[REDACTED] Program

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

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: Conrad tested 458 out of 10,017 transactions to determine if salaries costs incurred under the agreement were reasonable, adequately supported and properly approved. We identified two personnel positions in the expatriate and HQ personnel for which direct costs had been charged to the program without supporting documentation such as timesheets to show these two staff did indeed work directly on the program. We asked [REDACTED] for supporting documentation, but none was provided. 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 all salary costs related to these employees from the salaries cost category. [REDACTED] was unable to provide evidentiary support to show why these staff should be charged directly to the Program. This resulted in total ineligible salaries costs of \$16,154.

Criteria:

[REDACTED] **Finance Procedures Manual, Section 7, Allocation of Shared Costs, states:**

“Defining an allocation method for shared costs allows us to distribute across budgets expenses that cannot be entirely attributed to one specific project. These costs must therefore be shared in a fair and transparent manner by donors (in other words, fairly distributed using an allocation key for each expense).”

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 200.413 (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 who worked directly on the project as a donor officer and grants manager without a timesheet or other documentation to show their level of effort

(Continued)

[REDACTED]

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

[REDACTED] Program

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

Schedule of Findings and Questioned Costs (Continued)

on the program. [REDACTED] does not have formal policies and procedures requiring timesheets or similar documentation in place to ensure a clear audit trail or documented evidence to demonstrate these 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 \$16,154 in ineligible costs and \$1,071 in associated indirect costs, which resulted in \$17,225 in total questioned costs.

Recommendation:

(1) We recommend that [REDACTED] provide evidence showing these employees should be charged as direct costs and have not already been absorbed in the indirect costs or return \$17,225 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 HQ staff, work directly on the Program and to ensure the costs are not double charged both directly and indirectly to the program.

(Continued)

[REDACTED]

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

[REDACTED] Program

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

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-04: Costs reported to USAID exceed actual cost incurred.

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

Condition: Conrad tested 55 out of 1,278 transactions in the Other Direct Costs (ODC) categories to determine if ODC costs incurred under the agreement were reasonable, adequately supported, properly approved and allowable. We identified four invoices that were billed to [REDACTED] in US dollars (USD), however, the amounts charged to the Program by [REDACTED] exceeded the amounts listed on the invoice. This resulted in \$206 in total ineligible costs shown below:

Instance	(A) USD Amount Charged to the Program	(B) USD Amount on the Invoice	Variance (A - B)
1	\$ 10,316	\$ 10,275	\$ 41
2	4,410	4,275	135
3	1,756	1,750	6
4	896	872	24
Total:	\$ 17,378	\$ 17,172	\$ 206

Criteria:

[REDACTED] Finance Procedures Manual, Section 9.1 Field Procedure – Hard Copy Accounting, states in part:

"The real amount paid must be written on the invoice (in case the amount has been rounded, for example), and this amount must be recorded in SAGA..."

2 CFR 200.303, Internal Controls, states in part:

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

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

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

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

(Continued)

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

[REDACTED] Program

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

Schedule of Findings and Questioned Costs (Continued)

(g) Be adequately documented..."

Cause: Due to lack of management oversight, [REDACTED] did not ensure costs charged to the Program agreed to the actual amounts billed to [REDACTED] on supplier invoices.

Effect: The United States Government overpaid for costs through recording the incorrect invoice amount to the Program.

Questioned Costs: We identified \$206 in ineligible costs and \$14 in associated indirect costs, which resulted in \$220 in total questioned costs.

Recommendation:

(1) We recommend that [REDACTED] provide support to demonstrate the costs were correctly charged to the Program or return \$220 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 accuracy of invoices for costs incurred.

(Continued)

[REDACTED]

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

[REDACTED]
Program

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

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from [REDACTED] SIGAR, and USAID pertaining to agreement activities under this audit. We identified three prior audit reports which contained 11 findings 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 concluded that [REDACTED] had taken adequate corrective actions on six findings and the other five findings were not adequately addressed and are repeated under this audit. We have summarized the results of our procedures below:

1. Federal Award Compliance Examination for USAID and United States Department of State (USDOS) Awards closed during the fiscal year ended December 31, 2020.

Exchange Errors

Issue: The audit firm noted instances where errors were present in the US dollar value in the ledger for cash receipts.

Status: For the current engagement, we noted instances where the amount [REDACTED] charged to the program exceeded the amount listed on the invoice, see **Finding 2023-04** of this audit report. As such, Conrad concluded that [REDACTED] has not taken adequate corrective action on this finding.

U.S. Government Regulations on Terrorism

Issue: The audit firm noted [REDACTED] has implemented policies and procedures for vetting vendors, consultants, partners, etc. However, the audit firm also noted that the vetting procedures are conducted only initially upon engaging with the supplier. As a result, there were instances where suppliers who were checked once several years ago and not since. In addition, there were suppliers who [REDACTED] has been working with consistently from prior to implementation of the vetting procedures.

Status: For the current engagement, there were no instances [REDACTED] did not follow the implemented policies and procedures for vetting vendors, consultants, and partners. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Incentive Payments

Issue: The audit firm noted projects where [REDACTED] is providing incentives to hospitals and camp staff. In one instance the agreement with the camp was expired and an updated agreement was not available. In another, there was no formal agreement detailing the terms of the incentive payments.

Status: For the current engagement, there were no instances of [REDACTED] incorrectly paying incentive payments. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

(Continued)

[REDACTED]

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

[REDACTED] Program

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

Status of Prior Audit Findings (Continued)

2. Federal Award Compliance Examination for USAID and USDOS Awards closed during the fiscal year ended December 31, 2020.

Allocation Methodology

Issue: The audit firm noted [REDACTED] follows a consistent methodology to distribute certain costs that cannot be entirely attributed to a specific project. The method involves using an analysis of the projects active in a given location to establish a key which is used to assign each month for each type of shared cost to a project. The audit firm noted that given the dynamic nature of the work, it is not easily possible to verify without reviewing the entire history of a given project that the correct allocation was made during the year.

Status: For the current engagement, we noted instances where the amounts [REDACTED] charged to the program were based on an allocation methodology using budgeted percentages rather than an allocation based on actual expenditures, see **Finding 2023-01** of this audit report. As such, Conrad concluded that [REDACTED] has not taken adequate corrective action on this finding.

Coding

Issue: The audit firm noted that general ledger coding categories applied were not always consistent.

Status: For the current engagement, there were no instances noted where general ledger coding categories were not consistent. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Exchange Errors

Issue: The audit firm noted instances where errors were present in the US dollar value in the ledger for cash receipts.

Status: For the current engagement, we noted instances where the amount [REDACTED] charged to the program exceeded the amount listed on the invoice, see **Finding 2023-04** of this audit report. As such, Conrad concluded that [REDACTED] has not taken adequate corrective action on this finding.

U.S. Government Regulations on Terrorism

Issue: The audit firm noted [REDACTED] has implemented policies and procedures for vetting vendors, consultants, partners, etc. However, the audit firm also noted that the vetting procedures are conducted only initially upon engaging with the supplier. As a result, there were instances where

(Continued)

[REDACTED]

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

[REDACTED] Program

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

Status of Prior Audit Findings (Continued)

suppliers who were checked once several years ago and not since. In addition, there were suppliers who [REDACTED] has been working with consistently from prior to implementation of the vetting procedures.

Status: For the current engagement, there were no instances [REDACTED] did not follow the implemented policies and procedures for vetting vendors, consultants, and partners. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Incentive Payments

Issue: The audit firm noted projects where [REDACTED] is providing incentives to hospitals and camp staff. In one instance the agreement with the camp was expired and an updated agreement was not available. In another, there was no formal agreement detailing the terms of the incentive payments.

Status: For the current engagement, there were no instances of [REDACTED] incorrectly paying incentive payments. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

3. SIGAR Financial Audit 22-18 of Costs Incurred Under Agreement No. [REDACTED] for the period of October 1, 2019 through September 30, 2020.

Finding 2021-01: [REDACTED] Charged Costs to the Program Based on Budget Estimates and Lacked an Equitable Allocation Methodology

Issue: The audit firm noted that [REDACTED] charged costs based on the budget estimates proposed. However, [REDACTED] did not provide documentation showing that actual shared costs incurred were accurate and/or based on an actual level of effort. [REDACTED] was unable to demonstrate that it had a reasonable and equitable allocation methodology to adequately charge shared costs across programs.

Status: For the current engagement, we identified one finding where [REDACTED] charged costs based on the budget estimates proposed. See **Finding 2023-01** of this audit report. As such, we concluded that [REDACTED] has not taken adequate corrective action on this finding.

Finding 2021-02: Exclusion Checks Were Not Performed Prior to Conducting Business with Vendors or Individuals

Issue: The audit firm noted [REDACTED] did not follow award requirements to check vendors or individuals against exclusion lists prior to payment procurements less than 10,000 euros.

(Continued)

[REDACTED]

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

[REDACTED]
Program

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

Status of Prior Audit Findings (Continued)

Status: For the current engagement, there were no instances noted where [REDACTED] did not conduct or maintain evidence of performing an exclusion screening for its vendors. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2021-03: Costs Were Not Supported with Sufficient Documentation to Determine Allowability

Issue: The audit firm noted that [REDACTED] did not provide sufficient documentation to determine whether some costs were allowable under the Program and applicable federal regulations. The audit firm noted two travel and transportation transactions where business class fare was charged. [REDACTED] indicated that these flights were the cheapest available due to the Covid-19 emergency, however, [REDACTED] did not maintain supporting documentation to substantiate this claim. The audit firm also noted one instance where [REDACTED] charged costs related to shipping documents from 2016 to the program. This is an administrative expense and not directly allocable to the Program. In one other transaction, [REDACTED] provided procurement documentation listing some potential vendors who placed bids for a quotation request, but the vendor awarded was not on the list of potential vendors. [REDACTED] was unable to provide documentation to support that the vendor was properly selected according to [REDACTED] procurement process.

Status: For the current engagement, we noted three instances where [REDACTED] did not maintain sufficient documentation of approval from the funding agency for charging settlement related costs to the Program. See **Finding 2023-02** of this audit report. As such, we concluded that [REDACTED] has not taken adequate corrective action on this finding.

(Continued)

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

[REDACTED] Program

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

[REDACTED] Responses to Audit Findings

[REDACTED]

Conrad LLP
23161 Lake Center Drive, Suite 200
Lake Forest, CA. 92630

October 24, 2023

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

Finding 2023-01: [REDACTED] Charged Costs to the Program Based on Budget Estimates and Lacked an Equitable Allocation Methodology.

Nature of Finding: Internal Control – Material Weakness and Non-Compliance

Condition: Conrad tested 607 out of 15,722 transactions for all cost categories to determine if the costs incurred under the program were reasonable, adequately supported, and properly approved. For costs that are shared among different programs in Afghanistan including salaries and other costs, [REDACTED] charged costs based on the proposed budget estimates. However, [REDACTED] did not provide any supporting documentation showing that actual shared costs incurred were accurate and/or the costs were based on an actual level of effort. [REDACTED] was unable to demonstrate that it had a reasonable and equitable allocation methodology to adequately charge shared costs across programs. Due to lack of supporting documentation, we determined the following unsupported costs:

SPFS Cost Category	Number of Instances	Unsupported Costs
Salaries	256	\$ 173,100
Other Direct Costs	42	163,374
Training	1	470
Other Costs	1	12,665
Total:	300	\$ 349,609

Cause: [REDACTED] did not develop and document a method for allocating shared costs across programs and did not have a reasonable and equitable allocation methodology for allocating shared costs across programs. [REDACTED] method for allocating shared costs was based on budget estimates and not on actual costs incurred. In addition, [REDACTED] did not perform an after-the-fact review or provide documentation to demonstrate that (1) the budget estimates were accurate and adequately reflected costs charged and (2) costs were appropriately charged across programs to reflect the level of the work performed. Effect: Lack of an adequate review of allocated shared costs and a system to keep track of actual level of effort increases the risk of overcharging costs to the U.S. Government.

Recommendation:

- (1) We recommend that [REDACTED] provide additional support to demonstrate the accuracy of their cost allocations or return \$372,789 of unsupported costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop and implement an after-the-fact system control, such as a timekeeping system, that can record and retain the actual level of effort spent on different programs and use the actual level of effort to allocate other personnel expenses that cannot be easily determined when the costs benefit two or more projects.
- (3) We recommend that [REDACTED] develop and implement additional policy and procedures to review interim or estimated budget allocations and create a reasonable and equitable allocation methodology to ensure that other shared costs charged across programs are proportionate to actual benefits associated with the programs.

[REDACTED]

(Continued)

[REDACTED]

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

[REDACTED] Program

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

[REDACTED] Responses to Audit Findings

[REDACTED] answer:

(1) First of all, [REDACTED] wants to highlight that the current shared cost methodology is used for many years on our programs and has been reviewed and shared on a regular basis with the certified auditors in charge of auditing these programs financed by BHA, BPRM, ECHO, etc, without the conclusion that the methodology is not equitable having been pointed out.

However, as the issue has been raised by LLP Conrad on the last 2 audits, we wanted to share with you the following:

We did work on your recommendation since your last audit report, to demonstrate that our allocation methodology is reasonable and equitable. Please find, in addition to the TACC based on budget, an additional TACC based on the Aid actually charged (aid amount budgeted replaced by real aid expenses amount).

In our TACC tool, you will see that the total number of months that this grants was supposed to support reach a maximum of 66.5 months (all kind of activities or bases). That is indeed what we calculated and charge according to aid Vs support budget.

Then, you can see that once we actualized the TACC (ie TACC_AFG_2022_20055 attached, see on the 3rd tab) with both other grants signed since then and actual aid Vs support expenses charged on your grant (ie final financial report), we have a total number of months of maximum 73.5 months.

This should answer your query *on documentation showing that actual shared costs incurred were accurate and/or based on actual level of effort ».

This represent a difference of +11%, meaning that the new ratio would have allowed us to charge 7 additional months of support on the BHA program. However, according to our policy, we don't reallocate extra cost afterward.

(2) and (3) Nevertheless, as [REDACTED] is conscious that this current methodology can lead to some different interpretations, please note that:

- o A check of the allocation method using actuals costs will be implemented for BHA programs in Afghanistan, and that major discrepancies (over 5%) will be analyzed and costs potentially reallocated if needed (before program being closed).
- o The [REDACTED] allocation methodology will be fully reviewed internally in 2024
- o Last, but not least, [REDACTED] has started in 2022 the implementation of Timesheets, for all personnel costs on the different fields of intervention, with about 50% of fields using already these timesheets ».

Finding 2023-02: Unallowable Settlement Costs Charged to the Program.

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

Condition: Conrad tested 55 out of 1,278 transactions in the Other Direct Costs (ODC) cost category to determine if the costs incurred under the program were reasonable, adequately supported, and properly approved. During our testing, we noted the following: We identified three instances in ODC where PUI charged settlement related costs from a fire to one of the rented guest houses to the program without written prior approval from USAID.

1) One instance where settlement costs from the guest house fire was charged to the Program. This resulted in \$13,250 in ineligible costs and with \$879 in associated indirect costs.

2) One instance where legal advisory fees related to this settlement were charged to the Program. This resulted in \$5,727 in ineligible costs and with \$380 in associated indirect costs.

3) One instance where the replacement of clothes, shoes, and personal hygiene items lost in the fire, and costs for temporary housing after the fire were charged to the Program. This resulted in \$489 in ineligible costs and with \$32 in associated indirect costs

(Continued)

[REDACTED]

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

[REDACTED] Program

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

[REDACTED] Responses to Audit Findings

[REDACTED]

Cause: [REDACTED] was not aware of the need for approval from USAID to claim these costs under the Program, as per the CFR requirements, which resulted in [REDACTED] not adhering to federal regulations regarding settlement costs and in [REDACTED] incurring costs that are ineligible to the Program.

Recommendation:

- (1) We recommend that [REDACTED] provide evidence showing USAID's approval for settlement costs and settlement related costs being charged to the Program or return \$20,757 of ineligible costs and associated indirect costs.
- (2) We recommend that [REDACTED] provide training to staff for familiarity with and adherence to 2 CFR 200 requirement, to ensure proper approval is obtained for any fines, penalties, damages, or settlement costs charged to the Program

Answer:

- (1) [REDACTED] does not have an official evidence showing USAID's approval for settlement costs and settlement related cost being charged to the Program.
- (2) [REDACTED] will follow that recommendation to provide training to staff for familiarity and adherence to 2 CFR 200 requirement.

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: Conrad tested 458 out of 10,017 transactions to determine if salaries costs incurred under the agreement were reasonable, adequately supported and properly approved. We identified two personnel positions in the expatriate and HQ personnel for which direct costs had been charged to the program without supporting documentation such as timesheets to show these two staff did indeed work directly on the program. We asked PUI for supporting documentation, but none was provided. 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 all salary costs related to these employees from the salaries cost category. PUI was unable to provide evidentiary support to show why these staff should be charged directly to the Program. This resulted in total ineligible salaries costs of \$16,154.

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.

Recommendation:

- (1) We recommend that [REDACTED] provide evidence showing these employees should be charged as direct costs and have not already been absorbed in the indirect costs or return \$17,225 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 HQ staff, work directly on the Program and to ensure the costs are not double charged both directly and indirectly to the program
- [REDACTED]

(Continued)

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

[REDACTED] Program

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

[REDACTED] Responses to Audit Findings

PUI answer:

(1) [REDACTED] has implemented timesheets for HQ since beginning of 2022, in order to capture the time spent by staff having worked directly on each program.

We attached to our answers a report called "Summary Timesheets_AFG20055_vdef" showing how the amount of 16.154 USD is split. On this amount, 10.036 USD are salaries justified by timesheets (see all documents attached) and 6.117 USD concern one salary [REDACTED] sept 2021) for which no timesheets are available (process not yet implemented at that time). At that time, [REDACTED] allocated HQ staff costs working on programs based on full year forecast, knowing persons were allocated on a full-month basis. [REDACTED] has worked as compliance officer and was in charge of modifying [REDACTED] internal process following RCA 2019 and 2020 conclusions:

- Sub-award management: construction of [REDACTED] "partnership package" with due diligence, screening on international sanction lists, partnership agreement and monitoring
- U.S. Government Regulations on Terrorism: review of [REDACTED] internal system: writing of [REDACTED] policy against terrorism financing and money laundering, framework to implement the policy, creation of process and training of [REDACTED] staff in charge of screening of staff, suppliers, sub awardees, ...

Afghanistan is a country of operations combining those risks:

- country with individuals and entities under sanctions, PUI had to be extra vigilant in this context
- in August 2021, [REDACTED] received BHA funds for a project with 2 sub awardees.

For the period October 2020-December 2021, [REDACTED] salary has been allocated fully to the audited program in September 2021, knowing [REDACTED] has worked on it during the full timeframe of the program (so between October 2020 and December 2021, knowing timesheets were implemented at HQ starting 2022). See below the table showing the allocation of [REDACTED] during the year 2021, per program (the program "AFG20055-1" in September 2021 is the program presently audited).

Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sept-21	Oct-21	Nov-21	Dec-21	
[REDACTED]								AFGHANISTAN	[REDACTED]			
[REDACTED]								AFGHANISTAN	[REDACTED]			
[REDACTED]								BHA	[REDACTED]			
[REDACTED]								100,000	[REDACTED]			

(2) We confirm that the 16.154 USD has not been considered in the NICRA calculation. Regarding the NICRA rate, we ensure each year that the NICRA calculation does not contain any salaries charged as direct costs to USAID programs. This calculation is then reviewed by the auditors supervising the annual USAID audits and by the NICRA branch at USAID.

Finding 2023-04: Costs reported to USAID exceed actual cost incurred.

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

Condition: Conrad tested 55 out of 1,278 transactions in the Other Direct Costs (ODC) categories to determine if ODC costs incurred under the agreement were reasonable, adequately supported, properly approved and allowable. We identified four invoices that were billed to PUI in United States dollars (USD), however, the amounts

(Continued)

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

[REDACTED] Program

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

[REDACTED] Responses to Audit Findings

[REDACTED]

charged to the Program by PUI exceeded the amounts listed on the invoice. This resulted in \$206 in total ineligible costs shown below:

Instance	(A) USD Amount Charged to the Program	(B) USD Amount on the Invoice	Variance (A - B)
1	\$ 10,316	\$ 10,275	\$ 41
2	4,410	4,275	135
3	1,756	1,750	6
4	896	872	24
Total:	\$ 17,378	\$ 17,172	\$ 206

Effect: The United States Government overpaid for costs through recording the incorrect invoice amount to the Program.

Recommendation:

- (1) We recommend that PUI provide support to demonstrate the costs were correctly charged to the Program or return \$220 in ineligible costs and associated indirect costs.
- (2) We recommend that PUI develop an internal control monitoring policy and procedure to ensure management oversight of the accuracy of invoices for costs incurred

PUI answer:

- (1) We confirm that the costs were correctly charged to the program.
- (2) As you can see in the general ledger, these invoices were paid in AFN and then converted to USD with the monthly exchange rate.

The amount in USD indicated in the invoice is not the amount paid, it's just a base for calculating the AFN amount to be paid.

Due to the high inflation and volatility of the local currency, it is impossible to fix a price in AFN with suppliers and service providers. The quick devaluation of the local currency would make it impossible to fix a price in AFN for more than few weeks. This makes it impossible to do a market analysis and bid in AFN as the offered price would be valid only for a very short time. In addition, specific supplies and works are per their nature paid in installments and delayed in time.

In these cases, the price is negotiated in USD as reference and then paid in AFN according to the daily USD/AFN exchange rate. The USD amount on the invoice is not the amount paid, but the base for calculating the actual amount to be paid in AFN.

The transaction is in AFN and converted in USD with the usual monthly exchange rate.

This is known and validated by HQ office and justified by the local context, and therefore does not require the implementation of a procedure or policy per se.

(Continued)

[REDACTED]

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

[REDACTED] Program

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

[REDACTED] Responses to Audit Findings

[REDACTED]

Status of Prior Audit Findings

1. Federal Award Compliance Examination for USAID and United States Department of State (USDOS) Awards closed during the fiscal year ended December 31, 2020.

Exchange Errors

Issue: The audit firm noted instances where errors were present in the U.S. dollar value in the ledger for cash receipts.

Status: For the current engagement, we noted instances where the amount [REDACTED] charged to the program exceeded the amount listed on the invoice, see Finding 2023-04 of this audit report. As such, Conrad concluded that [REDACTED] has not taken adequate corrective action on this finding.

Answer: see page 86 on [REDACTED] 2022 RCA report

U.S. Government Regulations on Terrorism

Issue: The audit firm noted [REDACTED] has implemented policies and procedures for vetting vendors, consultants, partners, etc. However, the audit firm also noted that the vetting procedures are conducted only initially upon engaging with the supplier. As a result, there were instances where suppliers who were checked once several years ago and not since. In addition, there were suppliers who [REDACTED] has been working with consistently from prior to implementation of the vetting procedures.

Status: For the current engagement, there were no instances [REDACTED] did not follow the implemented policies and procedures for vetting vendors, consultants, and partners. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Answer: [REDACTED] has indeed modified its screening procedures and practices. The implementation of this corrective measure necessitated a great change in the way the organization collects data, screens and files those data. It has represented a huge work and a change of [REDACTED] practices.

Incentive Payments

Issue: The audit firm noted projects where [REDACTED] is providing incentives to hospitals and camp staff. In one instance the agreement with the camp was expired and an updated agreement was not available. In another, there was no formal agreement detailing the terms of the incentive payments.

Status: For the current engagement, there were no instances of [REDACTED] incorrectly paying incentive payments. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Answer: see page 86 on [REDACTED] 2022 RCA report

2. Federal Award Compliance Examination for USAID and USDOS Awards closed during the fiscal year ended December 31, 2020.
- [REDACTED]

(Continued)

[REDACTED]

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

[REDACTED] Program

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

[REDACTED] Responses to Audit Findings

Allocation Methodology

Issue: The audit firm noted [REDACTED] follows a consistent methodology to distribute certain costs that cannot be entirely attributed to a specific project. The method involves using an analysis of the projects active in a given location to establish a key which is used to assign each month for each type of shared cost to a project. The audit firm noted that given the dynamic nature of the work, it is not easily possible to verify without reviewing the entire history of a given project that the correct allocation was made during the year.

Status: For the current engagement, we noted instances where the amount [REDACTED] charged to the program exceeded the amount listed on the invoice, see Finding 2023-01 of this audit report. As such, Conrad concluded that [REDACTED] has not taken adequate corrective action on this finding.

Answer: see page 82 on [REDACTED] 2022 RCA report.

Coding

Issue: The audit firm noted that general ledger coding categories applied were not always consistent.

Status: For the current engagement, there were no instances noted where general ledger coding categories were not consistent. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Answer: see page 85 on [REDACTED] 2022 RCA report

Exchange Errors

Issue: The audit firm noted instances where errors were present in the U.S. dollar value in the ledger for cash receipts.

Status: For the current engagement, we noted instances where the amount [REDACTED] charged to the program exceeded the amount listed on the invoice, see Finding 2023-04 of this audit report. As such, Conrad concluded that [REDACTED] has not taken adequate corrective action on this finding.

Answer: see page 86 on [REDACTED] 2022 RCA report

U.S. Government Regulations on Terrorism

Issue: The audit firm noted [REDACTED] has implemented policies and procedures for vetting vendors, consultants, partners, etc. However, the audit firm also noted that the vetting procedures are conducted only initially upon engaging with the supplier. As a result, there were instances where suppliers who were checked once several years ago and not since. In addition, there were suppliers who [REDACTED] has been working with consistently from prior to implementation of the vetting procedures.

Status: For the current engagement, there were no instances [REDACTED] did not follow the implemented policies and procedures for vetting vendors, consultants, and partners. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Answer: [REDACTED] has indeed modified its screening procedures and practices. The implementation of this corrective measure necessitated a great change in the way the organization collects data, screens and files those data. It has represented a huge work and a change of [REDACTED] practices.

[REDACTED]

(Continued)

[REDACTED]

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

[REDACTED] Program

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

[REDACTED] Responses to Audit Findings

[REDACTED]

Incentive Payments

Issue: The audit firm noted projects where [REDACTED] is providing incentives to hospitals and camp staff. In one instance the agreement with the camp was expired and an updated agreement was not available. In another, there was no formal agreement detailing the terms of the incentive payments.

Status: For the current engagement, there were no instances of [REDACTED] incorrectly paying incentive payments. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Answer: see page 86 on [REDACTED] 2022 RCA report

3. SIGAR Financial Audit 22-18 of Costs Incurred Under Agreement No. [REDACTED] for the period of October 1, 2019 through September 30, 2020.

Finding 2021-01: [REDACTED] Charged Costs to the Program Based on Budget Estimates and Lacked an Equitable Allocation Methodology

Issue: The audit firm noted that [REDACTED] charged costs based on the budget estimates proposed. However, [REDACTED] did not provide documentation showing that actual shared costs incurred were accurate and/or based on an actual level of effort. [REDACTED] was unable to demonstrate that it had a reasonable and equitable allocation methodology to adequately charge shared costs across programs.

Status: For the current engagement, we identified one finding where [REDACTED] charged costs based on the budget estimates proposed. See Finding 2023-01 of this audit report. As such, we concluded that [REDACTED] has not taken adequate corrective action on this finding.

Answer: see answer on Finding 2023-01.

Finding 2021-02: Exclusion Checks Were Not Performed Prior to Conducting Business with Vendors or Individuals

Issue: The audit firm noted [REDACTED] did not follow award requirements to check vendors or individuals against exclusion lists prior to payment procurements less than 10,000 euros.

Status: For the current engagement, there were no instances noted where [REDACTED] did not conduct or maintain evidence of performing an exclusion screening for its vendors. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Answer: [REDACTED] has indeed modified its screening procedures and practices. The implementation of this corrective measure necessitated a great change in the way the organization collects data, screens and files those data. It has represented a huge work and a change of [REDACTED] practices.

Finding 2021-03: Costs Were Not Supported with Sufficient Documentation to Determine Allowability

Issue: The audit firm noted that [REDACTED] did not provide sufficient documentation to determine whether some costs were allowable under the Program and applicable federal regulations. The audit firm noted two travel and transportation transactions where business class fare was charged. [REDACTED] indicated that these flights were the cheapest available due to the Covid-19 emergency, however, [REDACTED] did not maintain supporting documentation to

[REDACTED]

(Continued)

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

[REDACTED] Program

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

[REDACTED] Responses to Audit Findings

[REDACTED]

substantiate this claim. The audit firm also noted one instance where [REDACTED] charged costs related to shipping documents from 2016 to the program. This is an administrative expense and not directly allocable to the Program. In one other transaction, [REDACTED] provided procurement documentation listing some potential vendors who placed bids for a quotation request, but the vendor awarded was not on the list of potential vendors. [REDACTED] was unable to provide documentation to support that the vendor was properly selected according to [REDACTED] procurement process.

Status: For the current engagement, we noted three instances where [REDACTED] did not maintain sufficient documentation of approval from the funding agency for charging settlement related costs to the Program. See Finding 2023-02 of this audit report. As such, we concluded that [REDACTED] has not taken adequate corrective action on this finding.

[REDACTED] answer:

As mentioned the two ticket in question are for an evacuation. [REDACTED] a military flight from Kabul (Afghanistan) to [REDACTED] as at the time no commercial flight was leaving Afghanistan.

The flight ticket in question concern the final part of the repatriation journey: [REDACTED] This tickets were booked during a weekend and on the spot by the geographic manager with the verbal approval of the HR as soon as they got the confirmation that the staff was accepted on the first evacuation flight.

Considering the exceptional and unprecedented circumstances of the rise of the Covid 19 pandemic and the life threatening risk that posed for the staff, [REDACTED] bought two of the few remaining seats on one of the last flights and at the most advantageous available fare.

The tickets were purchased by the geographical manager with his own credit card during a weekend.

All of this circumstances can be attested by several people that authorized the expense as you can see in the enclosed email exchanges: geographical manager, HR, financial controller and the director.

In addition, the massive annulation of flights and available sits can be easily verified as historical fact, as at the time several countries closed their borders only allowing nationals and residents to be repatriated.

You can refer to the statistic on EUROCONTROL, a pan-European, civil-military organization dedicated to supporting European aviation, to see the variation compared to the previous year in the operating flight on the day in question in [REDACTED] - 91.60%, and [REDACTED] - 90.5%.

Name : [REDACTED]

Position : [REDACTED]

Date : 24/10/2023

Signature :

[REDACTED]

(Continued)

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

[REDACTED] Program

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

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

[REDACTED] disagreed and acknowledged Finding 2023-01, acknowledged Finding 2023-02 and disagreed with Findings 2023-03 and 2023-04. 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 and indicated that the current cost share methodology used by [REDACTED] has been reviewed and shared on a regular basis with the certified auditors in charge of auditing programs financed by BHA and other agencies without the conclusion that the methodology is not equitable. However, with the issue raised in the prior two audits [REDACTED] stated they have worked on analyzing their existing allocation methodology for reasonable and equitableness based on the number of months allocated to the project in the proposed budget. [REDACTED] stated that even though there is a difference they do not reallocate costs after the project is completed. In addition, [REDACTED] has acknowledged that their current methodology can lead to some different interpretations and will implement a check of the allocation method using actual costs and major discrepancies over 5% will be analyzed and costs potentially reallocated, [REDACTED] allocation methodology will be fully reviewed internally in 2024 and [REDACTED] started implementing timesheets for all personnel costs in 2022, with about 50% currently using the timesheets.

Auditor's Rebuttal:

[REDACTED] originally created and proposed the budget for this program to USAID using existing funding from concurrent programs in Afghanistan and a budget estimation on the administrative/shared costs under this program. As the programs begin and end, the budget-based allocations are updated accordingly on a prospective basis. However, as stated in the condition of this finding, there should be a reasonable allocation methodology or after-the-fact review to ensure the budget costs were reasonable and allocable. An example of a reasonable allocation can be using actual direct program expenses incurred under each program monthly as the basis for allocating these administrative/share costs. Without a reasonable allocation methodology and simply charging the budgeted shared costs to the program leaves the possibility that shared costs incurred for multiple projects or activities may not be allocated according to proportional benefit. [REDACTED] provided follow-up documentation of the allocation methodology showing that the difference between the budgeted allocation and actual costs allocation was minimal. However, this allocation was not provided during the testing procedures, and we cannot verify the accuracy of the documentation. Therefore, the documentation cannot be accepted to support the removal of questioned costs. As such, our finding and recommendation remains unchanged.

Finding 2023-02:

[REDACTED] acknowledged that there is no official evidence showing USAID's approval for settlement costs and settlement related cost being charged to the Program. [REDACTED] stated they will follow the recommendation to provide training to the staff for familiarity and adherence to 2 CFR 200 requirements.

(Continued)

[REDACTED]

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

[REDACTED] Program

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

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

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 2023-03:

[REDACTED] disagreed with the finding and provided timesheets to support charging the employee's salary costs to the Program and confirmed that the employee in question was not part of the indirect costs charged to the Program.

Auditor's Rebuttal:

We reviewed the timesheets provided by [REDACTED] and concluded that the timesheets are not sufficient documentation to change the finding and recommendations as these documents are not dated, and we are unable to determine when these documents were prepared. In addition, they are missing dates, and signatures of both the employee and supervisor. As such, the finding and recommendations remains the same.

Finding 2023-04:

[REDACTED] disagreed with the finding and indicated that costs were correctly charged to the program based on the conversion from AFN to USD. [REDACTED] stated that due to the high inflation and volatility of the local currency it is impossible to fix a price in AFN with suppliers and service providers and as such they negotiate the price in USD as a reference and then pay the amount in AFN according to the daily rate for converting USD to AFN.

Auditor's Rebuttal:

[REDACTED] is required to incur costs to the program with the same monetary base and amount that is listed on the original invoice or bill from the supplier. In the four instances noted in **Finding 2023-04**, [REDACTED] received an invoice from the supplier in USD., However, after paying the supplier in AFN, [REDACTED] recorded the costs to the program by converting the payment amount from AFN back to USD using a monthly exchange rate which then exceeded the USD on the original invoice. As such, the finding and recommendations remains the same.

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SIGAR's Mission

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