

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 24-13 Financial Audit

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

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.



FEBRUARY
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 16, 2020, the U.S. Agency for International Development (USAID) awarded a \$3,063,386 grant to ██████████ ██████████ to support the ██████████ ██████████ ██████████ program. The grant's objectives included (1) providing information management products, mapping support, and monitoring services to key partners in humanitarian response; and (2) building management information capacity at the provincial government level to ensure better preparedness and response to natural hazards. The period of performance for this grant was from October 1, 2020, to February 28, 2022. USAID modified the grant one time, which did not change the total award amount or the period of performance.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$3,043,174 in costs charged to the grant from October 1, 2020, to February 28, 2022. The objectives of the audit were to 1) identify and report on material weaknesses or significant deficiencies in ██████████ internal controls related to the grant; (2) identify and report on instances of material noncompliance with the grant's terms and applicable laws and regulations, including any potential fraud or abuse; 3) determine and report on whether ██████████ has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of ██████████ Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

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

February 2024

USAID's ██████████ ██████████ in Afghanistan: Costs Incurred by ██████████ ██████████

SIGAR 24-13-FA

WHAT SIGAR FOUND

Conrad identified one material weakness and four significant deficiencies with ██████████ internal controls, and five instances of noncompliance with the terms of the grant and the U.S. Code of Federal Regulations. For example, Conrad found ██████████ could not provide documentation to support competitive bidding for 17 vendor purchases, resulting in unsupported costs charged to the grant. SIGAR notified ██████████ of the deficiencies and noncompliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$197,968 in total questioned costs. The questioned cost consisted of \$185,320 in unsupported costs—costs not supported with adequate documentation or that do not have required prior approval—and \$12,648 of ineligible costs—costs prohibited by the grant or applicable regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$10,719	\$157,488	\$168,207
Indirect Costs	\$1,929	\$27,832	\$29,761
Total Costs	\$12,648	\$185,320	\$197,968

Conrad identified one prior audit report, which included two findings that were relevant to the ██████████ grant. Conrad determined that ██████████ took adequate corrective action on one of the two prior findings, but has not taken adequate corrective action on a prior finding related to deficiencies with ██████████ procurement policies and procedures.

Conrad issued a modified opinion on ██████████ SPFS. Specifically, Conrad's opinion was qualified because of the significant amount of questioned cost. Except for the possible effects of the qualification, the SPFS presents fairly, in all material respects, revenue received, costs incurred, and balances for the audit period.

WHAT SIGAR RECOMMENDS

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

1. Determine the allowability of and recover, as appropriate, \$197,968 in questioned costs identified in the report.
2. Advise ██████████ to address the report's five internal control findings.
3. Advise ██████████ to address the report's five noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

February 23, 2024

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

Ms. Sarah Charles
Assistant to the Administrator of USAID's
Bureau of Humanitarian Assistance

We contracted with Conrad LLP (Conrad) to audit costs incurred by [REDACTED] under a grant from the U.S. Agency for International Development (USAID) to support the [REDACTED] program.¹ The grant's objectives included (1) providing information management products, mapping support, and monitoring services to key partners in humanitarian response; and (2) building management information capacity at the provincial government level to ensure better preparedness and response to natural hazards in Afghanistan. Conrad reviewed \$3,043,174 of incurred costs charged to the grant, from October 1, 2020, to February 28, 2022. Our contract with Conrad required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

1. **Determine the allowability of and recover, as appropriate, \$197,968 in questioned costs identified in the report.**
2. **Advise [REDACTED] to address the report's five internal control findings.**
3. **Advise [REDACTED] to address the report's five 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 Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated December 11, 2023, and the conclusions expressed therein. However, our review disclosed no instances where Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for planned completion for the recommendations to sigar.pentagon.audits.mbx.recommendation-followup@mail.mil, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-260)

¹ The grant number 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's Democracy,
Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster
Assistance, for the [REDACTED]

[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

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December 11, 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's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States Foreign Disaster Assistance, in support of the [REDACTED] in Afghanistan Program, for the period October 1, 2020 through February 28, 2022.

On September 19, 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 November 2, 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 Special Inspector General of Afghanistan Reconstruction and [REDACTED] Responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

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

Sincerely,

Sam Perera, CPA, CFE, CITP, CGMA
Partner

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Background

On September 16, 2020, the United States Agency for International Development (USAID), Office of U.S. Foreign Disaster Assistance (OFDA) awarded Grant Agreement No. [REDACTED] (Grant Agreement) to [REDACTED] in support of the [REDACTED] in Afghanistan (the Program). In 2020 after the award date, the Bureau for Humanitarian Assistance was established to streamline USAID’s humanitarian responses, bringing together the vast expertise and resources of the former USAID Offices of United States Foreign Disaster Assistance and Food for Peace.

The purpose of the Program was to assist the humanitarian community with accurate, relevant, and timely information for humanitarian coordination and access, and to support Afghanistan National Disaster Management Authority (ANDMA) in maintaining natural hazard technologies for disasters and disaster risk emergency response management. Under the Agreement, [REDACTED] objectives included:

- Providing information management products, mapping support, and monitoring services to key partners in Humanitarian Response.
- Capacity building in management of information to ensure better preparedness and response to natural hazards at the Provincial ANDMA level and to enhance coordination and information sharing to improve preparedness programming and effectiveness of humanitarian assistance interventions.

The initial award amount was \$3,063,386, for the period of performance from October 1, 2020, through February 28, 2022. There has been one modification to the Grant Agreement which did not have an impact on the total award amount or period of performance. See the *Summary of Grant Agreement* on the following below.

Summary of Grant Agreement

Grant Agreement Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
[REDACTED] *	\$3,063,386	10/01/20	02/28/22	1	No change	No change

* Indicates the award is a close-out.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

[REDACTED] is an international non-profit organization established in [REDACTED], [REDACTED] headquarters are located in [REDACTED] and has international programs in multiple countries including Afghanistan, [REDACTED]

Work Performed

Conrad LLP (Conrad) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial closeout audit of the Grant Agreement, as mentioned above, of [REDACTED] Special Purpose Financial Statement for revenue received totaling \$3,063,386 and costs incurred under the Program totaling \$3,043,174 with a fund balance of \$20,212 for the period October 1, 2020 through February 28, 2022.

Objectives, Scope, and Methodology

Audit Objectives

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

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

Scope

The scope of this close-out audit included all costs incurred during the period of October 1, 2020 through February 28, 2022. Within the period under audit the total revenues received amount is \$3,063,386 and

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

total costs incurred amount is \$3,043,174, with a fund balance of \$20,212. Our testing of the indirect cost charged to the Grant 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 30, 2023, with representatives of [REDACTED], Conrad, SIGAR, and USAID participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of the audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of [REDACTED]. The scope of our audit includes [REDACTED] management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of [REDACTED] through interviews, observations, and reading policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
 - Grant Agreement and modifications;
 - 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; and
 - Close-out requirements and evidence supporting close-out procedures performed.
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs are properly recorded.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

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

Internal Controls Related to the Grant Agreement

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

Compliance with the Grant Agreement Requirements and Applicable Laws and Regulations

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

Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from [REDACTED] and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on [REDACTED] SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on [REDACTED] SPFS. For those engagements, Conrad evaluated the adequacy of

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 35.

Exit Conference

An exit conference was held on August 30, 2023 via conference call. Participants included representatives from Conrad, [REDACTED], SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

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

Auditor's Opinion on the SPFS

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

We identified \$197,968 in total questioned costs, which comprised \$12,648 in ineligible costs and \$185,320 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Grant Agreement's provisions or applicable laws and regulations, or not related to the Grant Agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on [REDACTED] SPFS. In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

Internal Controls

Our audit identified five internal control findings, which consisted of one material weakness and four significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 18.

Compliance

The results of our testing identified five instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 20.

In performing our testing, we considered whether the information obtained during our testing resulted in

(Continued)

[REDACTED]

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

[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. [REDACTED] did not disclose any instances of alleged fraud during the audit period that could have potentially impacted 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	Non-compliance and Internal Control – Material Weakness	Procurement policies and procedures were not followed	\$ -	\$ 148,014	\$ 148,014
2023-02	Non-compliance and Internal Control – Significant Deficiency	Insufficient documentation for payroll costs charged to the Program	-	23,217	171,231
2023-03	Non-compliance and Internal Control – Significant Deficiency	Costs for a global security coordinator were incorrectly allocated and charged to the program	12,648	-	183,879
2023-04	Non-compliance and Internal Control – Significant Deficiency	Property commission payment made to either an individual who claimed to be the property dealer or an [REDACTED] staff member without proper identification of the intended individual to be paid	-	7,670	191,549

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

2023-05	Non-compliance and Internal Control – Significant Deficiency	Lacked an allocation policy and procedure for shared costs charged to the program	-	6,419	197,968
Total Questioned Costs			\$ 12,648	\$ 185,320	\$ 197,968

Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from [REDACTED], SIGAR and USAID pertinent to [REDACTED] activities under the grant agreement. We identified one (1) prior audit report: [REDACTED] Audited Financial Statements and Supplementary Information for Years Ended December 31, 2021 and 2020 that contained two (2) 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 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 one (1) out of the two (2) findings and recommendations. See *Status of Prior Audit Findings* on page 35 for a detailed description of the prior findings and recommendations.

Summary of [REDACTED] Responses to Findings

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

- (1) **Finding 2023-01:** [REDACTED] disagreed with the return of the questioned costs. [REDACTED] concurred with the recommendations to implement staff training and strengthen supervisory controls as part of its procurement procedures.
- (2) **Finding 2023-02:** [REDACTED] disagreed with the return of the questioned costs. [REDACTED] concurred with the recommendations to develop additional policies and procedures and strengthen supervisory controls to ensure documentation related to payroll costs are properly maintained and costs incurred are accurate.
- (3) **Finding 2023-03:** [REDACTED] did not concur with the return of the questioned costs as these costs are for shared services from their affiliate organization. [REDACTED] agrees to repay the mobile phone costs and acknowledges that these costs should be allocated among projects. [REDACTED] concurred with the recommendation that management review controls should be improved and implemented to ensure shared costs are billed correctly.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

- (4) **Finding 2023-04:** [REDACTED] did not concur with the return of the questioned costs for the payment of the rental property commission. [REDACTED] concurred with the recommendation to develop an internal control monitoring policy and procedure to ensure payments to vendors are adequately documented.
- (5) **Finding 2023-05:** [REDACTED] did not concur with the return of the questioned costs as they stated that the allocation method used for subsequent periods was sufficient support for the period in question. [REDACTED] concurred with the recommendation to develop an internal control allocation and monitoring policy and procedure to ensure the staff follows proper allocation procedures and management reviews the accuracy of the allocation of shared costs.

In addition, [REDACTED] provided a response to the Status of Prior Audit Findings section for Finding 2021-002 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] (Grant Agreement) awarded by the United States Agency for International Development (USAID) to support the [REDACTED] in Afghanistan program, for the period October 1, 2020 through February 28, 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 February 28, 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 \$197,968 in aggregate questioned costs resulting from the material weakness and significant 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 Notes 1 and 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Special

(Continued)

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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 November 27, 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 Grant 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 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
November 27, 2023

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
[REDACTED]	<u>\$3,063,386</u>	<u>\$3,063,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(4)
Total revenues	<u>3,063,386</u>	<u>3,063,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Consultants - Labor	1,136,300	1,325,852	9,839	19,676	29,515	(A)
Building and Grounds	642,600	377,414	-	90,096	90,096	(B)
Communications	72,250	74,155	113	12,044	12,157	(C)
Equipment <\$5,000	31,800	145,337	-	-	-	
Equipment >\$5,000	-	22,300	-	-	-	
Other Operating Expenses	134,435	204,652	-	20,384	20,384	(D)
[REDACTED]	[REDACTED]	[REDACTED]	767	15,288	16,055	(E)
Professional Fees	52,501	95,449	-	-	-	
Travel and Transportation	223,251	171,183	-	-	-	
[REDACTED]	[REDACTED]	[REDACTED]	<u>1,929</u>	<u>27,832</u>	<u>29,761</u>	(F)
Total costs incurred	<u>\$3,063,386</u>	<u>\$3,043,174</u>	<u>\$ 12,648</u>	<u>\$ 185,320</u>	<u>\$ 197,968</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ 20,212</u>				

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

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Notes to Special Purpose Financial Statement¹

(1) Basis of Presentation

The accompanying Special Purpose Financial Statement (Statement) includes costs incurred under Grant Agreement Number [REDACTED] in support of the [REDACTED] [REDACTED] in Afghanistan Program for the period October 1, 2020 to February 28, 2022. Because the Statement presents only a selected portion of the operations of [REDACTED], it is not intended to and does not present the financial position, changes in the net assets, or cash flows of [REDACTED]. The information in this Statement is presented in accordance with the requirements specified by SIGAR and is specific to the aforementioned Federal Grant Agreement. Therefore, certain amounts presented in this Statement may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

(2) Basis of Accounting

Revenues and expenditures reported on the Statement are presented on the accrual basis of accounting whereby support and revenues are recorded when earned, and expenses are recorded when incurred, without regard to the date of receipt or payment of cash.

(3) Foreign Currency Translation Method

For purposes of preparing the Statement, conversions from local currency to United States dollars (USD) [REDACTED] uses <http://www.oanda.com/currency/converter> to check conversion rate unless the person provides a credit card receipt that shows a different exchange rate. An end of the month exchange rate is applied to all the expenses during that month.

Foreign currency gains and losses: Accounts with balances denominated in currencies other than USD are translated into USD at the applicable exchange rate as of the date of the Statement of Financial Position. When amounts denominated in a foreign currency are converted into USD, the exchange differences are included in the costs and revenues under the related grant or contract.

(4) Revenues

Revenues on the Statement represent the amount of funds [REDACTED] received from USAID between October 1, 2020 and February 28, 2022 for a total amount of \$3,063,386 for allowable and eligible costs incurred under the Grant Agreement.

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

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Notes to Special Purpose Financial Statement¹

(5) Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved grant agreement budget as detailed in the grant agreement.

(6) Outstanding Balance

The outstanding fund balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the award. The outstanding fund balance as of February 28, 2022 was \$20,212. The residual amount in excess of incurred costs (\$20,212) was refunded to USAID on March 3, 2023.

(7) Program Status

The period of performance of this grant agreement is October 1, 2020 to February 28, 2022. The program was completed and is currently inactive.

(8) Indirect Cost

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

Type	Effective Period		Indirect Cost Rate	
	From	Through	Fringe Benefit	Overhead
Final	01/01/2020	12/31/2020	[REDACTED]	[REDACTED]
Provisional	01/01/2021	Until amended	[REDACTED]	[REDACTED]

(9) Subsequent Events

[REDACTED] has performed an analysis of the activities and transactions subsequent to the October 1, 2020 through February 28, 2022 period covered by the Statement. Management has performed their analysis through November 27, 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]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Consultants - Labor

[REDACTED] reported a total of \$1,325,852 for Consultants - Labor for the period of October 1, 2020 through February 28, 2022.

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

- Costs incurred lacked sufficient evidence of allocation methodology for a consultant's salary costs charged to the Program, resulting in ineligible costs of \$9,839. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- Eid bonuses were paid to the consultants without supporting documentation or a written policy, resulting in unsupported costs of \$8,026 for the transactions sampled. We expanded the questioned costs to all Eid bonuses paid to the consultants resulting in additional unsupported costs of \$4,368. Total questioned costs are \$12,394. See **Finding No. 2023-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- A consultant was missing a consultant agreement that was effective during the program and audit period, resulting in unsupported costs of \$2,473 for the transactions sampled. We expanded the questioned costs to include the remaining months of the consultant's salary, resulting in additional unsupported costs of \$4,553. Total questioned costs are \$7,026. See **Finding No. 2023-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- A consultant's salary payments did not agree to the amount listed on the consultant agreement, resulting in unsupported costs of \$256. See **Finding No. 2023-02** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Consultants - Labor costs of \$29,515, consisting of \$9,839 in ineligible costs and \$19,676 in unsupported costs.

(B) Building and Grounds

[REDACTED] reported a total of \$377,414 for Building and Grounds for the period of October 1, 2020 through February 28, 2022.

During our audit of these costs, we noted costs incurred lacked sufficient documentation to show [REDACTED] followed their procurement policies and procedures for purchasing thresholds and

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] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

competitive bidding, resulting in unsupported costs of \$90,096. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.

(C) Communications

[REDACTED] reported a total of \$74,155 for Communications for the period of October 1, 2020 through February 28, 2022.

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

- A consultant did not work 100% on the program but the full amount of his mobile phone bill was charged to the program, resulting in ineligible costs of \$113. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs incurred lacked sufficient documentation to show [REDACTED] followed their procurement policies and procedures for purchasing thresholds and competitive bidding, resulting in unsupported costs of \$6,593. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs incurred lacked sufficient allocation support, resulting in unsupported costs of \$5,451. See **Finding No. 2023-05** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Communications costs of \$12,157, consisting of \$113 in ineligible costs and \$12,044 in unsupported costs.

(D) Other Operating Expenses

[REDACTED] reported a total of \$204,652 for Other Operating Expenses for the period of October 1, 2020 through February 28, 2022.

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

- Costs incurred lacked sufficient documentation to show [REDACTED] followed their procurement policies and procedures for purchasing thresholds and competitive bidding, resulting in unsupported costs of \$13,884. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.

² The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

- Costs incurred lacked sufficient supporting documentation to show commission fees were paid to individuals who should be receiving the payment, resulting in unsupported costs of \$6,500. See **Finding No. 2023-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total unsupported Other Operating Expenses costs of \$20,384.

(E) Overseas Allowances

[REDACTED] reported a total of \$ [REDACTED] for Overseas Allowances for the period of October 1, 2020 through February 28, 2022.

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

- A consultant did not work 100% on the program but the full amount of his danger pay allowance was charged to the program, resulting in ineligible costs of \$767. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs incurred lacked sufficient documentation to show [REDACTED] followed their procurement policies and procedures for purchasing thresholds and competitive bidding, resulting in unsupported costs of \$15,288. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned costs of \$16,055, consisting of \$767 in ineligible costs and \$15,288 in unsupported costs.

(F) Indirect Costs

[REDACTED] reported a total of \$ [REDACTED] for Indirect Costs for the period of October 1, 2020 through February 28, 2022.

The indirect costs associated with questioned costs identified in **Notes A, B, C, D, and E** above resulted in total ineligible indirect costs of \$1,929 and total unsupported indirect costs of \$27,832. This resulted in total questioned indirect costs of \$29,761.

² The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

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] (Grant Agreement) in support of the [REDACTED] in Afghanistan program, for the period of October 1, 2020 through February 28, 2022. We have issued our report thereon dated November 27, 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 February 28, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

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We identified one material weakness and four deficiencies in internal controls, described in the accompanying *Schedule of Findings and Questioned Costs*. **Finding 2023-01** is considered to be a material weakness and Findings **2023-02**, **2023-03**, **2023-04**, and **2023-05** are considered to be significant deficiencies.

█ Response to Findings

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

Purpose of this Report

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

Restriction on Use

This report is intended for the information of █, the United States Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States Foreign Disaster Assistance, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. 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
November 27, 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] (Grant Agreement) in support of the [REDACTED] in Afghanistan program, for the period of October 1, 2020 through February 28, 2022. We have issued our report thereon dated November 27, 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 five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-01, 2023-02, 2023-03, 2023-04, and 2023-05.

[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.

(Continued)

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Purpose of this Report

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

Restriction on Use

This report is intended for the information of [REDACTED], the United States Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States Foreign Disaster Assistance, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. 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
November 27, 2023

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs

Finding 2023-01: Procurement policies and procedures were not followed

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

Condition: Conrad tested the following:

- 36 transactions out of 208 transactions in the Building and Grounds category, representing \$144,132 out of a total \$377,414 in this category;
- 23 transactions out of 109 transactions in the Communications category, representing \$19,944 out of a total \$74,155 in this category;
- 40 transactions out of 1,448 transactions in the Other Operating Expenses category, representing \$65,757 out of a total \$204,652 in this category; and
- 16 transactions out of 60 transactions in the Overseas Allowances category, representing \$37,901 out of a total \$[REDACTED] in this category.

During our testing to determine if costs incurred under the Grant Agreement were reasonable, adequately supported, and properly approved, we noted 17 instances where [REDACTED] could not provide competitive bidding quotations from multiple vendors and [REDACTED] required purchase approval form for procurements \$2,500 or greater.

Cost Category	Instances	Questioned Cost
Building and Grounds	7	\$78,740
Communications	2	4,200
Other Operating Expenses	7	8,095
Overseas Allowance	1	15,288
Totals:	17	\$106,323

Additionally, we noted 31 instances where [REDACTED] could not provide the relevant procurement documentation for procurements under \$2,500, such as [REDACTED] required purchase approval form and one quotation from the selected vendor.

Cost Category	Instances	Questioned Cost
Building and Grounds	18	\$11,356
Communications	7	2,393
Other Operating Expenses	6	5,789
Totals:	31	\$19,538

All the instances noted above resulted in total unsupported costs of \$125,861.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Criteria:

[REDACTED] Procurement Policy, states in part:

"Less than \$2,500

Staff should strive to obtain the best possible price. Staff without budget authority and requesters of purchases that were not previously included in an approved budget must submit one price quote via an [REDACTED] or attached to the [REDACTED] to the applicable person with budget authority as outlined above. Once given the approval, the staff member may proceed with the purchase...

\$2,500 or greater but less than \$25,000

If the cost of the goods or services is \$2,500 or greater but less than \$25,000, the following steps must be taken. No legal advertisement is required in this purchase range.

1. The requesting staff member must submit three price quotes. Internet quotes are acceptable. If less than three quotes are obtained, or the lowest price quote was not the one chosen, then a statement justifying the vendor choice must be provided in the [REDACTED] or in the [REDACTED].

2. The requesting staff member will complete an [REDACTED] or the [REDACTED] and submit it to the applicable person with budget authority as outlined above along with the three price quotes for approval. Once given the approval, the staff member may proceed with the purchase..."

2 CFR 200.319 Competition, states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section...

(b) In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements..."

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...

(c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity..."

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

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."

2 CFR 200.404, Reasonable costs, states in part:

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

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

(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."

Cause: [REDACTED] lacked management oversight and review to ensure the policies and procedures for procurement were followed for costs incurred. A majority of the questioned costs identified were for procurements \$2,500 or greater and are related to rented offices or guesthouses in Afghanistan. [REDACTED] selection criteria for these rental properties primarily relied on the security risk assessment without any financial cost assessments or competitive bidding. In addition, [REDACTED] management did not ensure the field staff followed the procurement policies and procedures for procurements under \$2,500. [REDACTED] field personnel believed a purchase approval form and vendor quote were not required in all cases for purchases under \$2,500, as they were previously included in the approved budget.

Effect: [REDACTED] lack of adherence to their policies and procedures and Federal regulation requirements may have resulted in the acquisition of goods and/or services at inflated costs to the United States Government and an increased risk of fraud, waste, and abuse.

Questioned Costs: We identified \$125,861 in unsupported costs and \$22,153 in associated indirect costs, which resulted in \$148,014 in total questioned costs.

Recommendation:

(1) We recommend that [REDACTED] provide sufficient procurement documentation for the transactions incurred or return \$148,014 of unsupported costs and associated indirect costs.

(2) We recommend that [REDACTED] provide its staff with training to ensure adherence to [REDACTED] internal policies and procedures, and applicable Federal regulation requirements.

(3) We recommend that [REDACTED] strengthen supervisory controls and review to ensure policies and procedures are followed to ensure that all purchases are competitively procured to the maximum extent practical.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-02: Insufficient documentation for payroll costs charged to the program

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

Condition: Conrad tested 105 transactions out of 994 transactions in the Consultant - Labor cost category, representing \$259,533 out of a total \$1,325,852 for these transactions. During our testing to determine if costs incurred under the Grant Agreement were reasonable, adequately supported and allowable, we noted the following:

- 15 instances where Eid bonuses were paid to the national consultants, without a written policy or supporting documentation of the allowable Eid bonus. This resulted in total questioned costs of \$8,026 from our sampled transaction. We expanded our review to all Eid bonuses paid in the Consultants-Labor cost category and identified an additional \$4,368 in questioned costs. This resulted in total questioned costs of \$12,394.
- Two (2) instances where the consultant agreement and subsequent modifications provided for a national consultant indicated their duration of work was up to 8/31/2021; however, the consultant also received payment for January 2022 and February 2022 in our sample. This resulted in total questioned costs of \$2,473. We expanded our review to the entire Consultants-Labor cost category to identify all labor costs related to this consultant after 8/31/21 and found transactions related to this consultant's payments for September 2021 through December 2021 resulting in additional questioned costs of \$4,553. This resulted in total questioned costs of \$7,026.
- Four (4) instances where a national consultant's compensation paid exceeded the compensation listed in the consultant agreement. The agreement stated that the consultant's compensation, including base salary and additional allowances, totaled 134,468 AFN per month. Based on our review, the consultant was paid more than 134,468 AFN for the months below without any justification. As such we are questioning a total of \$256 as shown below:

Payroll Month	Compensation Paid	Compensation per Agreement	Questioned Cost in AFN	Questioned Cost in USD
Dec-20	141,579 AFN	134,468 AFN	7,111 AFN	\$ 85
May-21	141,579 AFN	134,468 AFN	7,111 AFN	103
Jan-22	141,579 AFN	134,468 AFN	7,111 AFN	13
Feb-22	141,579 AFN	134,468 AFN	7,111 AFN	55
Totals				\$256

All the instances noted above resulted in total unsupported costs of \$19,676.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Criteria:

[REDACTED] Finance Policies and Procedures, states the following:

"Federal Award Management

[REDACTED] is responsible for ensuring that all award activities are carried out in accordance with applicable award terms and conditions and federal regulations [REDACTED] follows each award agreement to ensure all activities performed under each agreement are within specified terms of the award. [REDACTED] follows the general guidelines for allowable costs and administrative guidelines that are contained in Uniform Guidance 2 CFR 200...

Record Keeping

In accordance with the [REDACTED], [REDACTED] policy provides for the systematic review, retention and destruction of documents received or created by [REDACTED] in connection with the transaction of organization business. The policy covers all records and documents, physical or electronic, and contains guidelines for how long certain documents should be kept and how records should be destroyed. The policy is designed to ensure compliance with federal and state laws and regulations, to eliminate accidental or innocent destruction of records and to facilitate [REDACTED] operations by promoting efficiency and freeing up valuable storage space..."

2 CFR 200.303, Internal Controls, states in part:

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

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

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

2 CFR 200.400(d), Policy guide, states in part:

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

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

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

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

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

(g) Be adequately documented..."

Cause: [REDACTED] lacked a formal policy in place for the Eid bonus. In addition, [REDACTED] management did not perform its supervisory review to ensure that policies and procedures were followed for the following areas of concern: that the national consultant agreement with the correct effective dates was in place, and that the national consultant's salaries and allowances were calculated and paid correctly.

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

Questioned Costs: We identified \$19,676 in unsupported costs and \$3,541 in associated indirect costs, which resulted in \$23,217 in total questioned costs.

Recommendation:

(1) We recommend that [REDACTED] provide documentation to support that the payroll costs incurred were allowable and calculated properly or return \$23,217 of unsupported costs and associated indirect costs.

(2) We recommend that [REDACTED] develop additional policies and procedures, along with any needed criteria to document and support extra pay such as the Eid bonus and pay without an effective employment agreement in place.

(3) We recommend that [REDACTED] strengthen supervisory controls and review to ensure that documentation related to payroll costs is properly maintained and that costs incurred are reviewed prior to payment in order to ensure the correct costs are charged to the Program.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-03: Costs for a global security coordinator were incorrectly allocated and charged to the program

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

Condition: Conrad tested the following:

- 105 transactions out of 994 transactions in the Consultant - Labor cost category, representing \$259,533 out of a total \$1,325,852 in this category;
- 23 transactions out of 109 transactions in the Communications category, representing \$19,944 out of a total \$74,155 in this category; and
- 16 transactions out of 60 transactions in the Overseas Allowances category, representing \$37,901 out of a total \$[REDACTED] in this category.

During our testing to determine if costs incurred under the Grant Agreement were reasonable, allowable and adequately supported, we noted costs were allocated to the Program for a Global Security Coordinator from the [REDACTED] office who worked on multiple projects without proper allocation. These costs were billed to [REDACTED] by its [REDACTED] location.

- Three (3) instances where [REDACTED] charged a portion of the consultant's salaries to the Program with no support documentation detailing how [REDACTED] determined the amount of costs that belong to the Program. Based on our review, it appears that [REDACTED] is allocating a portion of the consultant's salaries to the Program. However, when we reviewed the level of effort worked by the Consultant for the Program on the timesheets, the hours reported did not support the percentage of the salaries charged to the Program. This resulted in ineligible costs of \$9,839.
- One (1) instance where [REDACTED] charged 100% of the consultant's mobile phone costs to the Program in the Communications cost category. This resulted in ineligible costs of \$113.
- One (1) instance where [REDACTED] charged 100% of the consultant's danger pay allowance to the Program in the [REDACTED] cost category. This resulted in ineligible costs of \$767.

All the instances noted above resulted in total ineligible costs of \$10,719.

Criteria:

[REDACTED] **Finance Policies and Procedures, *Expense and Account Payable***, states in part:

"Policy

All employees, exempt and non-exempt, are required to record time worked, holidays, leave taken for payroll, benefits tracking, and cost allocation purposes...

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Procedure

All [REDACTED] employees complete semi-monthly timesheets in [REDACTED] charging time to projects/cost centers based on level of effort for each.

Timesheets are reviewed and approved by the [REDACTED]
[REDACTED] and the applicable supervisor.”

[REDACTED] **Finance Policies and Procedures**, states the following:

“Federal Award Management

[REDACTED] is responsible for ensuring that all award activities are carried out in accordance with applicable award terms and conditions and federal regulations. [REDACTED] follows each award agreement to ensure all activities performed under each agreement are within specified terms of the award. [REDACTED] follows the general guidelines for allowable costs and administrative guidelines that are contained in Uniform Guidance 2 CFR 200...”

2 CFR 200.405, Allocable Costs, states in part:

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

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

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

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...”

2 CFR 200.303, Internal Controls, states in part:

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

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Cause: [REDACTED] did not have a policy and procedure for recording the level of effort to track the consultant's time to projects/cost centers. However, during our review we noted that [REDACTED] did require their consultants to follow the [REDACTED] employee timekeeping procedure, although [REDACTED] finance management team did not ensure that costs charged to the Program were properly supported with allocation documentation and did not review timesheets to ensure the accuracy of time recorded to the projects/cost centers. Instead [REDACTED] charged a percentage of salary costs, which were not supported by the level of effort reporting, and also charged 100% of the expense for mobile phone costs and danger pay allowances to the Program.

Effect: Lack of management oversight to verify allocation, allowability and accuracy of costs incurred may have resulted in the United States government overpaying for consultant's salary and allowances.

Questioned Costs: We identified \$10,719 in ineligible costs and \$1,929 in associated indirect costs, which resulted in \$12,648 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] either provide support documentation demonstrating the allocation and allowability of the costs identified or return \$12,648 of ineligible costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop and implement management review controls to ensure shared costs billed from the [REDACTED] office are accurate and properly allocated to relevant programs.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-04: Property rental commission payment made to either an individual who claimed to be the property dealer or an [REDACTED] staff member without proper identification of the intended individual to be paid

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

Condition: Conrad tested 40 transactions out of 1,448 transactions in the Other Operating Expenses category, representing \$65,757 out of a total \$204,652 for these transactions. During our testing to determine if other operating expenses incurred under the Grant Agreement were reasonable, adequately supported and allowable, we noted the following:

- One (1) instance where the property rental commission was made to an individual in cash. The lease agreement stated a one-time commission would be paid to the property dealer, who is the rental agent/broker for the property, and the cost would be shared equally by [REDACTED] and the landlord; however, the lease agreement did not list the property dealer's name. [REDACTED] provided an identification card for an individual who was paid the commission, but who we could not verify was the individual to be paid and if this individual had actually received the cash payment. This resulted in total unsupported costs of \$4,000.
- One (1) instance where the property rental commission was made to an [REDACTED] staff member in cash. The lease agreement stated a one-time commission would be paid to the property dealer and the cost would be shared equally by [REDACTED] and the landlord, however, the lease agreement did not list the property dealer's name. The document requesting payment of the commission was signed for by a person who [REDACTED] said was the property dealer. No identifying information was provided on the documentation to distinguish who received the payment. This resulted in total unsupported costs of \$2,500.

This resulted in total unsupported costs of \$6,500.

Criteria:

[REDACTED] **Finance Policies and Procedures**, states the following:

"Federal Award Management

[REDACTED] is responsible for ensuring that all award activities are carried out in accordance with applicable award terms and conditions and federal regulations [REDACTED] follows each award agreement to ensure all activities performed under each agreement are within specified terms of the award. [REDACTED] follows the general guidelines for allowable costs and administrative guidelines that are contained in Uniform Guidance 2 CFR 200..."

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

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

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

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

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: Due to lack of management oversight, [REDACTED] did not ensure proper documentation showing who was authorized to receive the commission and that this designated person had been paid.

Effect: Payments made to or received by the intended property dealers may have been fraudulent payments to ghost vendors or the U.S. government may have paid incorrect vendors.

Questioned Costs: We identified \$6,500 in unsupported costs and \$1,170 in associated indirect costs, which resulted in \$7,670 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide sufficient documentation to show the payment was paid to the appropriate vendor (property dealer) or return \$7,670 of unsupported costs and associated indirect costs.
- (2) We recommend [REDACTED] improve management oversight by developing an internal control monitoring policy and procedure to ensure payments to vendors are adequately documented, including detailing the vendor's name. If someone other than the supplying vendor is to receive a payment, such as a commission, then proper documentation should be obtained from the vendor approving payment to another individual, who should also be documented.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-05: Lacked an allocation policy and procedure for shared costs charged to the program

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

Condition: Conrad tested 23 transactions out of 109 transactions in the Communications category, representing \$19,944 out of a total \$74,155 for these transactions. During our testing to determine if communications costs incurred under the Grant Agreement were reasonable, adequately supported and allowable, we noted four (4) instances where costs related to data and cloud services by Amazon Web Services were allocated to the Program without sufficient documentation to support the allocation basis. This resulted in total questioned costs of \$5,451.

Criteria:

[REDACTED] **Finance Policies and Procedures**, states the following:

"Federal Award Management

[REDACTED] is responsible for ensuring that all award activities are carried out in accordance with applicable award terms and conditions and federal regulations [REDACTED] follows each award agreement to ensure all activities performed under each agreement are within specified terms of the award. [REDACTED] follows the general guidelines for allowable costs and administrative guidelines that are contained in Uniform Guidance 2 CFR 200..."

2 CFR 200.405, Allocable Costs, states in part:

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

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

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

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

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

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

(g) Be adequately documented..."

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Schedule of Findings and Questioned Costs (Continued)

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] did not have a specific procedure for allocating and reviewing shared costs to ensure that costs related to multiple awards were properly allocated among all applicable programs. According to [REDACTED], the cost breakdown was done by the IT personnel based on their knowledge of the specific services utilized by each activity and country [REDACTED] operated in; however, there was no specific policy and procedure developed and implemented to ensure costs allocation methodology was properly followed and reviewed by management for accuracy of allocation applied.

Effect: Lack of adequate controls to demonstrate and justify proper allocation of expenses increases the risk that United States Government overpaying for services through misallocation of costs.

Questioned Costs: We identified \$5,451 in unsupported costs and \$968 in associated indirect costs, which resulted in \$6,419 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide sufficient documentation to demonstrate the allocation methodology or return \$6,419 of unsupported costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop an internal control allocation and monitoring policy and procedure that includes management oversight to ensure the staff follows proper allocation procedures and management reviews the accuracy of the allocation of shared costs.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from [REDACTED], SIGAR, and USAID pertaining to Grant Agreement activities under this audit. We identified one prior audit report which contained two 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 have summarized the results of our procedures below:

1. [REDACTED] Audited Financial Statements and Supplementary Information for Years Ended December 31, 2021 and 2020

Finding 2021-001: Reportable Findings Considered a Significant Deficiency – Subaward Reporting

Issue: Subaward agreements and modifications subject to reporting under the Federal Funding Accountability and Transparency Act were not submitted to the Federal Funding Accountability and Transparency Act Subaward Reporting System as required.

Status: For the current engagement, there was no subaward or subcontract, and we did not identify any similar reporting issues during our testing. As such, we concluded that this finding was not repeated and [REDACTED] has taken adequate corrective action on this finding.

Finding 2021-002: Reportable Findings Considered a Significant Deficiency – Procurement

Issue: [REDACTED] did not follow their policies of obtaining competitive bids or documenting procurement by a noncompetitive proposal. Additionally, [REDACTED] did not properly search to make sure each applicable vendor was not suspended or debarred prior to engaging their services.

Status: For the current engagement, we identified instances where [REDACTED] did not follow their procurement policies and procedures. See **Finding 2023-01** of this audit report. As such, we concluded that this finding was repeated and [REDACTED] has not taken adequate corrective action on this finding.

Management Response: [REDACTED] has explained and reiterates again, the security circumstances in Afghanistan as of April 2021 presented an exigency and emergency. Due to the heightened threats evolving in the region, security for the staff was a paramount concern. As such [REDACTED] was required to destroy numerous documents in order to safeguard its personnel's identities. [REDACTED] stated they are working on updating and strengthening certain policies and procedures to ensure that it readily complies with future documentation requirements.

(Continued)

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

Status of Prior Audit Findings

Auditor Rebuttal: During the current audit we found instances where [REDACTED] did not follow their procurement policies and procedures and as such this finding remains open. See **Finding 2023-01** of this audit report.

(Continued)

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

[REDACTED] **Responses to Audit Findings**

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

[REDACTED]

[REDACTED] would like to thank you for the opportunity to respond to the audit findings noted in this audit report. We would like to address each of the findings individually and would like to provide some context to help gain a better understanding of the circumstances [REDACTED] was facing at the time related to these specific findings.

Since [REDACTED] inception in [REDACTED], the organization has emerged as a reliable partner and effective steward of U.S. Government resources. Managing a substantial portfolio of [REDACTED] [REDACTED] has consistently demonstrated a commitment to responsible resource management. [REDACTED] [REDACTED] has played a crucial role in various sectors, including Logistics, WASH, Health, Protection, Education, Nutrition, Camp Management, Food Security, and Gender-Based Violence. The organization has further solidified its commitment to transparency, accountability, and sound financial practices by consistently obtaining unmodified opinions as part of the single audit process. [REDACTED] trajectory since [REDACTED] positions it as a reliable and trusted custodian of U.S. Government resources, showcasing leadership in effective resource management for humanitarian and development initiatives.

[REDACTED] began operations in Afghanistan in [REDACTED]. While always a difficult operating environment, [REDACTED] faced heightened challenges over the past few years. Given the dangerous working conditions and environment, it is notable that [REDACTED] was affected like many other organizations with violent acts perpetrated against it. It is difficult to monetize how this impacted our operations as we were forced to devote significant time, effort and financial resources to ensure the safety of the individuals on our team. This brief narrative provides some context as to the conditions we were operating in.

Throughout 2019-2022, [REDACTED] was forced to heighten and increase its safety measures for the protection of its workforce relative to this project, both local and international, making safety a prime focus of its operations throughout that timeframe and even now as we continue to operate in Afghanistan. [REDACTED] heightened safety measures included changing compounds, remote working during Taliban control, destruction of certain documents, and other enhanced security measures.

In September 2019, [REDACTED] [REDACTED]. Best value cost considerations, with security as a priority, was the driving factor for evaluating our subsequent compound procurement, and [REDACTED] selections were made after rigorous security assessments of the various available options. This approach was further necessitated by what became a devolving security situation in Afghanistan. Specifically, on February 29, 2020, the United States and the Taliban signed a peace agreement with the ostensible intent to reduce violence in the region and, ultimately, for the United States to withdraw its troops from Afghanistan. This Grant award followed on September 16, 2020, to assist the humanitarian response in the region, with a period of performance of October 1, 2020 through February 28, 2022.

[REDACTED]

[REDACTED]

However, on April 14, 2021, six months into the period of performance, President Biden announced that the United States would begin drawing down troops in Afghanistan as of May 1 to conclude as of September 11, 2021. The security situation in country continued to degenerate. Later, in the summer of 2021, as rumors persisted about the possible takeover of Kabul by the Taliban, [REDACTED] instructed its expatriate staff to leave the country and to work remotely. Still, like others in government and the contracting community, [REDACTED] was surprised by the speed of the Taliban progress toward the capital and the fall of Kabul in September 2021. In the ensuing chaos, [REDACTED] [REDACTED], as it could compromise [REDACTED] or other individuals' safety. [REDACTED] because the [REDACTED] were out of the country. As a result, there are countless documents that could not be accounted for in this event's aftermath. Ensuring the safety of our personnel, however, far outweighs whatever convenience additional documentation may have provided.

Additionally, following the Taliban takeover, [REDACTED] had to move its office/guesthouse once more because the security assessment of the chosen location drastically changed in the light of the new political situation in the country.

The total cost of doing business in 2019-2022 is difficult to quantify, but [REDACTED] has suffered both a human and financial one. The transition to a Taliban-led government has brought additional burdens and scrutiny on our organization, and it is a constant struggle to continue helping the Afghan people without directly funding the Taliban regime. With the support and guidance from our BHA (Bureau for Humanitarian Assistance) partners, we will continue to find and pursue a tenuous and difficult path forward.

Please see below our specific responses to each of the findings.

Finding 2023-01: Procurement policies and procedures were not followed.

- (1) We recommend that [REDACTED] provide sufficient procurement documentation for the transactions incurred or return \$148,014 of unsupported costs and associated indirect costs.

We do not concur with the return of the questioned \$148,014 in funds as these charges are valid, reasonable and chargeable to the US Government. While [REDACTED] acknowledges that there is some missing documentation related to its compound and other items listed, these charges were valid in supporting the objectives of the Grant Agreement. Further, the standard for allowability is that costs are "adequately documented," not perfectly documented. See 2 CFR 200.403(g). In this regard, [REDACTED] did provide certain relevant documentation that supported these costs, and it did evaluate more than one compound. Price was considered, however, the security and

[REDACTED]

duty of care of [REDACTED] personnel was the main consideration. In conducting its procurement of the compound, [REDACTED] performed an extensive risk assessment, which assessed the threat summary to [REDACTED] and its staff. In its assessments, [REDACTED] noted its specific vulnerability as a [REDACTED] working on a US Government funded project mostly supporting the Government of Afghanistan. As a result, [REDACTED] determined it was a legitimate target for insurgents. Thus, [REDACTED] confirmed that the threat against its office and accommodation locations can be mitigated by sufficient stand-off distance, and certain additional safety precautions. The risk assessment included a detailed comparative review of eight (8) potential housing locations to ensure both the safety of [REDACTED] personnel and our ability to continue to conduct our work under the Grant Agreement. These risk assessments can be provided at SIGAR's request.

The other related services were inclusive to the cost of the compound and thus procurement documents were not separately created, and all costs associated with housing were well within the stated Building and Grounds budget category. [REDACTED] does not believe the costs are unsupported as the costs and the documentation are reasonable in light of the changing security environment and concerns for [REDACTED] staff during this period. Further, all costs were ordinary and necessary for the operation of [REDACTED] and the efficient performance of the Federal award, and there is no evidence that costs incurred were outside of the range of comparable goods or services in the available market.

(2) We recommend that [REDACTED] provide its staff with training to ensure adherence to [REDACTED] internal policies and procedures, and applicable Federal regulation requirements.

While [REDACTED] disagrees that its internal policies and procedures were strictly violated given the circumstances it found itself in and the actions necessary to protect the safety of its personnel, [REDACTED] concurs with this recommendation of implementing staff training to ensure adherence to its internal policies and procedures and applicable Federal regulation requirements.

(3) We recommend that [REDACTED] strengthen supervisory controls and review to ensure policies and procedures are followed to ensure that all purchases are competitively procured to the maximum extent practical.

While [REDACTED] disagrees that a fully competitive procurement would have been warranted given the turbulent and dangerous circumstances [REDACTED] staff faced, [REDACTED] concurs with this recommendation to strengthen supervisory controls as part of its procurement procedures. [REDACTED] is also currently revising its procurement policy and procedures to strengthen its internal controls.

[REDACTED]

Finding 2023-02: Insufficient documentation for payroll costs charged to the program

- (1) We recommend that [REDACTED] provide documentation to support that the payroll costs incurred were allowable and calculated properly or return \$23,217 of unsupported costs and associated indirect costs.

[REDACTED] does not concur with the return of \$23,217 of the questioned unsupported costs and associated indirect costs as they are valid, reasonable and chargeable to the US Government. [REDACTED] acknowledges that its contracts did not specifically state that Eid bonus was allowable; but given [REDACTED] compliance with locally accepted payroll practice and given the availability of funds within the agreement, the Eid bonus was properly approved and authorized by the cognizant [REDACTED] personnel. It did not impair [REDACTED] ability to successfully complete the objective of the agreement nor did it exceed the cost of the agreement. To the contrary, [REDACTED] may have lost staff had it not provided the locally accepted Eid bonus, which could have put the objective of the Grant Agreement at risk.

With regards to bullet points two and three relating to (1) questioned compensation related to consultant agreements for which no agreement was identified and (2) questioned compensation to a consultant that allegedly exceeding the compensation listed in the consultant agreement, resulting in questioned costs of \$7,026 and \$256, respectively, it appears that the incorrect documentation was reviewed by the auditor. In support of this response, [REDACTED] attaches the (1) correct consultant agreement; and (2) the relevant contract modification that shows the rate increase in question. [REDACTED] now considers those items closed.

- (2) We recommend that [REDACTED] develop additional policies and procedures, along with any needed criteria to document and support extra pay such as the Eid bonus and pay without an effective employment agreement in place.

[REDACTED] concurs with this recommendation. Since Eid bonuses are a locally accepted payroll practice, this is being implemented in [REDACTED] policy and procedures and being included in any budget proposals moving forward. [REDACTED] HR is also modifying how employment agreements are written moving forward to establish Eid bonus where it might be applicable.

- (3) We recommend that [REDACTED] strengthen supervisory controls and review to ensure that documentation related to payroll costs is properly maintained and that costs incurred are reviewed prior to payment in order to ensure the correct costs are charged to the Program.

[REDACTED] concurs with this recommendation that stronger supervisory controls need to be in place to ensure payroll costs are properly maintained and costs incurred are accurate. Along with the revisions to its local employment process and contracting, [REDACTED] is implementing a subcontractor portal and purchase order system in its

accounting system to help strengthen its controls to avoid a similar issue moving forward.

Finding 2023-03: Costs for a global security coordinator were incorrectly allocated and charged to the program

- (1) We recommend that [REDACTED] either provide support documentation demonstrating the allocation and allowability of the costs identified or return \$12,648 of ineligible costs and associated indirect costs.

[REDACTED] does not concur with the return of the \$12,648 questioned ineligible costs as they are valid, reasonable and chargeable to the US Government. The global security coordinator at issue worked for an organization, [REDACTED], with whom [REDACTED] had an affiliation agreement whereby the organizations shared certain services. This internal bill for his services was properly approved as valid as part of [REDACTED] normal review process and was properly attributed to the agreement as reasonable, allowable, and adequately supported services. [REDACTED] does concede that the consultant's mobile phone bill should have more granularly allocated by project, although the mobile phone charges were directly related to the consultant's use both in country and during travel and the prior allocation may have understated the full cost to the program. Regardless, [REDACTED] agrees to repay the claimed \$113 in mobile phone costs, although it does not agree that such costs are wholly ineligible.

- (2) We recommend that [REDACTED] develop and implement management review controls to ensure shared costs billed from the [REDACTED] office are accurate and properly allocated to relevant programs.

[REDACTED] concurs that it should improve and implement management review controls to ensure shared costs are billed correctly. [REDACTED] Global Security function is no longer a shared function with [REDACTED] and is instead organic to the organization subject to our time reporting for specific activities.

Finding 2023-04: Property rental commission payment made to either an individual who claimed to be the property dealer or an [REDACTED] staff member without proper identification of the intended individual to be paid.

- (1) We recommend that [REDACTED] provide sufficient documentation to show the payment was paid to the appropriate vendor (property dealer) or return \$7,670

of unsupported costs and associated indirect costs.

█ does not concur with the return of \$7,670 of the questioned unsupported costs and associated indirect costs as they are valid, reasonable and chargeable to the US Government. The property rental commission payments were specifically identified in the relevant agreements and were paid in accordance with local operations. █ acknowledges there were some recordkeeping issues with regards to identification of the specific property dealer, however █ did provide sufficient documentation to substantiate the business purpose and amount for the items in question, which were properly paid to the relevant property dealers, and which were reasonable, allowable, and allocable to the US Government. In addition, due to the volatility of the local banking sector, Afghanistan is primarily a cash-based economy, and cash payments are therefore routine. The local market is also one in which it is highly necessary to utilize a property dealer in order to find and secure a property, and the dealers' identities are typically not identified in the resulting sales or leasing agreement. In this regard, █ was abiding by local custom in these practices, which were for a legitimate and necessary business use and otherwise appropriately documented. Further, there is no evidence that the incurred costs were outside the range of the applicable market.

(2) We recommend █ improve management oversight by developing an internal control monitoring policy and procedure to ensure payments to vendors are adequately documented, including detailing the vendor's name. If someone other than the supplying vendor is to receive a payment, such as a commission, then proper documentation should be obtained from the vendor approving payment to another individual, who should also be documented.

█ concurs that policy and procedures need to be updated to ensure payments to vendors are adequately documented. This includes proper invoice, payment voucher, and receipt of payment. It is important that these payments are properly reviewed and approved from the appropriate channels before being processed. █ is undergoing a thorough review of its procurement and online recordkeeping processes to strengthen and improve our existing controls.

Finding 2023-05: Lacked an allocation policy and procedure for shared costs charged to the program

(1) We recommend that █ provide sufficient documentation to demonstrate the allocation methodology or return \$6,419 of unsupported costs and associated indirect costs.

█ does not concur with the return of \$6,419 of questioned unsupported costs and associated indirect costs. The costs were valid and reasonable and chargeable to the US Government. The allocation methodology used was system generated in an

amazon web services (AWS) interface, which produced a spreadsheet at the end of each billing cycle. AWS is a service that was used for multiple agreements and allocated to each agreement monthly. The basis for the communications cost for each allocation was developed using the billing from the provider and allocated among all of the different programs and agreements and specifically identified by IT personnel as part of the process. A more detailed allocation was provided for a subsequent period, which indicated the specific costs for this and the other agreements supported by the vendor. Although this detail was unavailable for the period in question, this allocation would have been identical to the period at issue, but was unavailable when the auditors questioned the allocation methodology.. [REDACTED] is also strengthening our current software allocation policy to add even more detail to support its allocation methodology in the future.

(2) We recommend that [REDACTED] develop an internal control allocation and monitoring policy and procedure that includes management oversight to ensure the staff follows proper allocation procedures and management reviews the accuracy of the allocation of shared costs.


[REDACTED] concurs with this recommendation. [REDACTED] has developed and established a new allocation methodology method for our technology being used throughout the organization, as well as established new policy and procedures regarding the implementation of technology being used by staff to establish how the cost for particular service/subscription should be allocated.

Finding 2021-002: Reportable Findings Considered a Significant Deficiency – Procurement

Issue: [REDACTED] did not follow their policies of obtaining competitive bids or documenting procurement by a noncompetitive proposal. Additionally, [REDACTED] did not properly search to make sure each applicable vendor was not suspended or debarred prior to engaging their services.

Status: For the current engagement, we identified instances where [REDACTED] did not follow their procurement policies and procedures. See **Finding 2023-01** of this audit report. As such, we concluded that this finding was repeated and [REDACTED] has not taken adequate corrective action on this finding.

The prior year audit was for fiscal period 2021 which also aligns with the time of this award which was from October 2020 through February 2022. Although not excusable, it does provide context as to why this finding would be found in this audit as well. In addition, and as explained above, the circumstances under which [REDACTED] was operating in Afghanistan did not always



permit the use of obtaining fully competitive bids. In this regard, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, expressly countenance the use of noncompetitive procurements where “[t]he public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation.” See 2 CFR 200.320(c)(3). [REDACTED] has explained, and again reiterates, the security circumstances in Afghanistan as of April 2021 presented an exigency and emergency. Due to the heightened threats evolving in the region and the prior loss of personnel, security to its staff and personnel was of paramount concern. Indeed, [REDACTED] was [REDACTED].

While [REDACTED] cannot control certain of these circumstances, as explained above, it is working on updating and strengthening certain policies and procedures to ensure that it readily complies with future documentation requirements as appropriate.

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

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

[REDACTED] partially disagreed with Findings 2023-01, 2023-02, 2023-03, 2023-04, and 2023-05. Auditor's rebuttals to [REDACTED] responses received related to the audit findings identified in this report are presented below:

Finding 2023-01:

- [REDACTED] did not agree with the return of \$148,014 in questioned costs. [REDACTED] acknowledged that there is some missing documentation related to its compound and other related services, however, they claimed that these charges were valid in supporting the objectives of the Grant Agreement. [REDACTED] stated that while price was considered, the security and duty of care of [REDACTED] personnel were the main consideration. [REDACTED] claimed that they performed an extensive risk assessment in conducting its procurement of the compound, which included a detailed comparative review of eight (8) potential housing locations. Additionally, [REDACTED] stated that the other related services were inclusive of the cost of the compound and the procurement documents were not separately created, and all costs associated with housing were stated within the Building and Grounds budget category.
- [REDACTED] disagreed that their internal policies and procedures were violated given the circumstances regarding the safety of the personnel however, [REDACTED] concurred with the recommendation of implementing staff training to ensure adherence to its internal policies and procedures, and applicable Federal regulations.
- [REDACTED] disagreed that a fully competitive procurement was warranted given the turbulent and dangerous circumstances however, [REDACTED] concurred with the recommendation to strengthen supervisory controls as part of its procurement procedures.

Auditor Rebuttal:

[REDACTED] selection criteria for the rental properties in question, including compound, guesthouses, and offices, primarily relied on the security risk assessment without any financial cost assessments or competitive bidding. Although [REDACTED] indicated that price was considered when conducting its procurement of the compound, [REDACTED] was not able to provide evidence supporting this claim. The risk assessments provided to us did not include any cost/price analysis. As such, our finding and recommendations remain unchanged.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

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

Finding 2023-02:

- [REDACTED] did not agree with the return of \$23,217 in questioned costs.
 - Regarding the Eid bonus, [REDACTED] acknowledged that its contracts did not specifically state that the Eid bonus was allowable. However, given its compliance with locally accepted payroll practice and the availability of funds within the agreement, the Eid bonus was properly approved and authorized by the cognizant [REDACTED] personnel.
 - Regarding the other two issues, [REDACTED] claimed that the incorrect documentation was reviewed by the auditor and stated that they attached the correct consultant agreement and relevant contract modification that shows the rate increase in question.
- [REDACTED] concurred with the recommendations to develop policies and procedures to include Eid bonuses in employment agreements and future proposals. [REDACTED] also concurred with the recommendation to strengthen supervisory controls to ensure payroll costs are properly maintained and costs incurred are accurate.

Auditor Rebuttal:

[REDACTED] did not provide any further documentation to review for the incorrect consultant agreement questioned costs or for the contract modification to support the rate increases. As such, our finding and recommendations remain unchanged.

As [REDACTED] acknowledged the lack of a formal policy or procedure to document and support the Eid bonus, no rebuttal is deemed necessary.

Finding 2023-03:

- [REDACTED] did not concur with the return of the \$12,648 questioned ineligible costs. [REDACTED] stated that the global security coordinator worked for [REDACTED], with whom [REDACTED] had an affiliation agreement whereby the organizations shared certain services. This internal bill for his services was properly approved as part of [REDACTED] normal review process and was properly attributed to the agreement as reasonable, allowable, and adequately supported services.
- [REDACTED] admitted that the consultant's mobile phone bill should have been more granularly allocated by project. [REDACTED] agreed to repay \$113 in mobile phone costs, although it did not agree that such costs are wholly ineligible.

(Continued)

[REDACTED]

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

[REDACTED]
[REDACTED] in Afghanistan

For the Period of October 1, 2020 through February 28, 2022

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

- [REDACTED] concurred with the recommendation to develop and implement management review controls to ensure shared costs billed from the [REDACTED] office are accurate and properly allocated to relevant programs.

Auditor Rebuttal:

As stated in the finding, [REDACTED] charged a percentage of the global security coordinator's salary costs, which were not supported by the level of effort reporting and charged 100% of the expense for mobile phone costs and danger pay allowances to the Program. Charging shared costs without proper allocation leaves the possibility that shared costs incurred for multiple projects or activities may not be allocated according to proportional benefits. In addition, [REDACTED] did not provide Conrad with evidence that the \$113 of mobile phone charges were refunded to the U.S. Government. As such, our finding and recommendations remain unchanged.

Finding 2023-04:

- [REDACTED] did not concur with the return of \$7,670 in questioned costs. [REDACTED] acknowledged that there were some recordkeeping issues with regards to identification of the specific property dealer. However, [REDACTED] argued that they did provide sufficient documentation to substantiate the business purpose and amount for the items in question, which were properly paid to the relevant property dealers.
- [REDACTED] concurs with the recommendation to update policy and procedures to ensure payments to vendors are adequately documented.

Auditor Rebuttal:

As stated in the finding, we could not properly determine if [REDACTED] assertion that the commissions were received by the authorized property dealers due to [REDACTED] inability to provide appropriate evidence supporting this claim. Therefore, the cost remains unsupported. Our finding and recommendations remain unchanged.

Finding 2023-05:

- [REDACTED] did not concur with the return of \$6,419 in questioned costs. [REDACTED] stated that the allocation methodology used was system generated in an amazon web services (AWS) interface, which produced a spreadsheet at the end of each billing cycle. The basis for the communications cost for each allocation was developed using the billing from the provider and allocated among

(Continued)

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

[REDACTED]
[REDACTED] in Afghanistan

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

- all of the different programs and agreements and specifically identified by IT personnel as part of the process. [REDACTED] stated that although the detail was unavailable for the period in question, the detailed allocation provided for a subsequent period should have been sufficient support.
- [REDACTED] concurred with the recommendation stating they have developed and established a new allocation methodology for technology being used throughout the organization.

Auditor Rebuttal:

As stated in the finding, we could not properly determine if a reasonable allocation methodology was in place due to [REDACTED] inability to provide documentation supporting how the allocation percentages were calculated for the period under audit. Therefore, the cost remains unsupported. Our finding and recommendations remain unchanged.

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SIGAR's Mission

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