

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 24-26 Financial Audit

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



JUNE
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On June 8, 2021, the U.S. Agency for International Development's Bureau for Humanitarian Assistance (USAID/BHA) awarded a 14-month, \$8,000,000 grant to [REDACTED] in support of its [REDACTED] in Afghanistan program. The program's goal was to meet the lifesaving needs and alleviate the suffering of those affected by conflict and crises across Afghanistan [REDACTED] provided interventions such as cash-for work, multi-purpose cash assistance, and health, water, sanitation, hygiene, and shelter services. USAID/BHA modified the grant twice. The modifications increased the award amount to \$21,800,000 and extended the period of performance through November 5, 2022.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$21,800,000 in costs charged to the grant from June 8, 2021, through November 5, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in [REDACTED] internal controls related to the grant; (2) identify and report on instances of material noncompliance with the terms of the grant and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether [REDACTED] has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of [REDACTED] Special Purpose Financial Statement (SPFS). See Crowe'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 Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

June 2024

USAID's [REDACTED]

In Afghanistan Program: Audit of Costs

Incurred by [REDACTED]

SIGAR 24-26-FA

WHAT SIGAR FOUND

Crowe identified one significant deficiency and one additional deficiency in [REDACTED] internal controls, and two instances of noncompliance with the terms of the award. Specifically, Crowe found that [REDACTED] charged USAID for costs prohibited by the grant related to 12 shipping containers detained at the border. Additionally, Crowe identified labor charges for three employees whose positions were not included in the detailed budget. [REDACTED] was notified of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Crowe identified \$39,147 in total questioned costs, consisting of \$38,328 in ineligible costs—costs prohibited by the grant and applicable laws and regulations, and \$819 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Transportation-Detention Charges	\$38,328	\$0	\$38,328
Labor	\$0	\$819	\$819
Total Costs	\$38,328	\$819	\$39,147

Crowe identified three prior audit reports that were relevant to [REDACTED] award. The reports contained 13 findings that could have had a material effect on the SPFS or other financial data significant to the audit objectives. Crowe conducted follow-up procedures and concluded that [REDACTED] had taken adequate corrective action on 11 of the 13 findings. Crowe noted that the issues associated with the two unaddressed prior findings were repeated under this audit.

Crowe issued an unmodified opinion on [REDACTED] SPFS, noting it presents fairly, in all material respects, revenues received, costs incurred, and balances for the period audited.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible grant officer at USAID/BHA:

1. Determine the allowability of and recover, as appropriate, \$39,147 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's two internal control findings.
3. Advise [REDACTED] to address the report's two noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

June 5, 2024

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

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

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

We contracted with Crowe LLP (Crowe) to audit the costs incurred by [REDACTED] under a grant from the U.S. Agency for International Development's Bureau for Humanitarian Assistance (USAID/BHA) in support of its [REDACTED] in Afghanistan program.¹ The program's goal was to meet lifesaving needs and alleviate the suffering of those affected by conflict and past crises across Afghanistan. [REDACTED] provided interventions such as cash-for work, multi-purpose cash assistance, and health, water, sanitation, hygiene, and shelter services. Crowe reviewed \$21,800,000 in costs charged to the grant from June 8, 2021, through November 5, 2022. Our contract with Crowe 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 grant officer at USAID/BHA:

1. Determine the allowability of and recover, as appropriate, \$39,147 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's two internal control findings.
3. Advise [REDACTED] to address the report's two noncompliance findings.

Crowe discusses the results of the audit in detail in the attached report. We reviewed Crowe's report and related documentation. We also inquired about Crowe's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on [REDACTED] Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Crowe is responsible for the attached auditor's report, dated March 7, 2024, and the conclusions expressed therein. However, our review disclosed no instances in which Crowe 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-267)

¹ The grant number is [REDACTED]



[REDACTED]
[REDACTED] in Afghanistan

Award No. [REDACTED]

Special Purpose Financial Statement

For the Period June 8, 2021, through November 5, 2022

(With Independent Auditor's Report Thereon)



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TRANSMITTAL LETTER

March 8, 2024

To the Management of [REDACTED]
[REDACTED]

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of the special purpose financial statement ("SPFS") applicable to [REDACTED] (award number [REDACTED]) funded by the United States Agency for International Development's ("USAID") Bureau for Humanitarian Assistance ("BHA"), to provide the [REDACTED] in Afghanistan for the period June 8, 2021 through November 5, 2022.

Within the pages that follow we have provided a summary of the work performed. Following the summary, we have incorporated our report on the Special Purpose Financial Statement, our report on internal control and our report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of [REDACTED] USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses are incorporated as Appendix A to the final report.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of the [REDACTED] award.

Sincerely,


Bert Nuehring, CPA
Partner
Crowe LLP



Summary

Background

Effective June 8, 2021, the United States Agency for International Development Bureau for Humanitarian Assistance (“USAID/BHA”) awarded an \$8,000,000 grant (Award No. [REDACTED]) to the [REDACTED] (“[REDACTED]”) to support the [REDACTED] in Afghanistan Program. The award’s initial period of performance was from June 8, 2021, through August 7, 2022. However, the grant was modified twice, increasing the total award amount to \$21,800,000, and extending the period of performance through November 5, 2022.

The purpose of the award was to implement a 14-month intervention to meet the most urgent lifesaving needs and alleviate the suffering of shock-affected persons across Afghanistan. The [REDACTED] was responsible for providing lifesaving assistance to those immediately affected by conflict, as well as those who were vulnerable due to past crises, through an integrated package of cash-for-work, multi-purpose cash assistance, health, water, sanitation and hygiene, and shelter services.

The [REDACTED] is a non-profit organization with over [REDACTED] staff members operating in more than [REDACTED] countries around the world. Founded in [REDACTED] the [REDACTED]

USAID issued two modifications, which increased the total funding to \$21,800,000 and extended the Period of Performance to November 5, 2022.

Modification	Purpose
01	<ul style="list-style-type: none"> Increased the total estimated and obligated amount of the agreement by \$13,800,000 for a new total of \$21,800,000. Realigned budget to reflect additional funding for program expansion and provide for capital equipment. Revised restricted goods to include Pharmaceuticals. Revised Special Provisions.
02	<ul style="list-style-type: none"> Extended the end of the period of agreement from August 7, 2022, to November 5, 2022, and amended award language for no-cost extensions. Revised Special Provisions. Revised Standard Provisions. Revised Program Description.

Work Performed

The Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) engaged Crowe LLP (“Crowe” or “we” or “our”) to conduct a financial audit of Award No. [REDACTED] awarded to the [REDACTED] (“[REDACTED]”). Crowe’s audit encompasses the period June 8, 2021, through November 5, 2022. During this span, [REDACTED] reported revenues and costs of \$21,800,000 which represents the amount audited. Crowe’s audit of [REDACTED] was limited in scope to the activities and expenditures associated with the award.

¹ [REDACTED]



Objectives Defined by SIGAR

The following audit objectives were defined within the *Performance Work Statement for Financial Audits of Costs Incurred by Organizations Contracted by the U.S. Government for Reconstruction Activities in Afghanistan* and were completed by Crowe:

Audit Objective 1 – Special Purpose Financial Statement

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

Audit Objective 2 – Internal Controls

Evaluated and obtained a sufficient understanding of [REDACTED] internal control related to the award; assessed control risk; and identified and reported on significant deficiencies, including material internal control weaknesses.

Audit Objective 3 – Compliance

Performed tests to determine whether [REDACTED] complied, in all material respects, with the award requirements and applicable laws and regulations; and identified and reported on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Determined and reported on whether [REDACTED] has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the special purpose financial statement or other financial data significant to the audit objectives.

Scope

The scope of the audit included the total costs incurred and revenues earned of \$21,800,000, during the period June 8, 2021, through November 5, 2022. The audit was limited to those matters and procedures pertinent to the award that could have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Activities;
- Allowable Costs;
- Cash Management;
- Eligibility;
- Equipment and Real Property;
- Program Income;
- Procurement;
- Reporting;
- Special Tests and Provisions and;
- Subrecipient Monitoring.

(Continued)

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the internal controls over compliance and financial reporting and determined if adequate corrective action was taken in response to prior audit, assessment, and review comments, as applicable.

To address Audit Objective 1, which pertains to SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded accurately and were consistent with the terms and conditions of the award; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the award if the cost benefited multiple objectives; and were adequately supported.

In order to address Audit Objective 2, which relates to internal controls, Crowe requested, and the provided, copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by during the period of performance. To the extent documented policies and procedures were unavailable, Crowe conducted interviews with management to obtain an understanding of the processes that were in place during the period of performance. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Crowe corroborated the internal controls and tested them where compliance issues could arise.

Audit Objective 3 required that tests be performed to obtain an understanding of the compliance with requirements applicable to the award. Crowe identified – through review and evaluation of the award executed by and between the USAID and the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including, but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected transactions, cash requests, procurements, and reports for testing. Supporting documentation was provided by the and was subsequently evaluated to assess compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the applicable regulations and the award with USAID.

Regarding Audit Objective 4, Crowe inquired of SIGAR, and USAID personnel participating in the audit entrance conference to understand whether there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. Crowe identified three audit report, which contained thirteen findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Crowe performed testing in the current period to determine if the prior year findings were remediated. Accordingly, Crowe determined that 11 of the 13 prior audit findings were remediated. Crowe identified one instance related to ineligible costs and one instance related to unsupported salary charges where a prior year finding was repeated in the current year. For more information see **Section II: Summary Schedule of Prior Audit, Review and Assessment of Finding**.

(Continued)

Summary of Results

Upon completion of Crowe's procedures, Crowe identified two findings that met one or more of the following criteria: (1) significant deficiencies in internal control; (2) material weaknesses in internal control; (3) noncompliance with rules, laws, regulations, or the terms and conditions of the award; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued an unmodified opinion on the SPFS.

Crowe also reported on both [REDACTED] internal controls over financial reporting and compliance with applicable laws, rules, regulations, and the terms and conditions of the award. In total, one significant deficiency in noncompliance (2022-01) and one deficiency (2022-02) in internal control and noncompliance were reported.

We identified \$39,147 in total questioned costs. SIGAR requires that questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines unsupported costs as those that are not supported with adequate documentation or did not have required prior approvals or authorizations. Ineligible costs are those that are explicitly questioned because they are unreasonable; prohibited by the audited award or applicable laws and regulations; or are unrelated to the award. Therefore, we concluded that \$38,328 are classified as ineligible and \$819 questioned costs are classified as unsupported.

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.

Crowe also requested from [REDACTED] SIGAR, and USAID copies of prior audits, reviews, and evaluations pertinent to [REDACTED] activities under the award. Crowe reviewed three prior audit reports that contained thirteen findings which may be direct and material to the Special Purpose Financial Statement or other financial information or financial data significant to the audit objectives. Crowe performed testing in the current period to determine if the prior audit findings were remediated. Accordingly, [REDACTED] has not taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the special purpose financial statement or other financial data significant to the audit objectives. **See Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings for a detailed discussion of prior audit findings.**

The following summary is intended to present an overview of the audit results and is not intended to be a representation of the audit's results in their entirety.

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2022-01	Ineligible Detention Costs	Significant Deficiency in Internal Control and Noncompliance	\$38,328
2022-02	Unsupported Labor Costs	Deficiency in Internal Control and Noncompliance	\$819
Total Questioned Costs:			\$39,147

(Continued)

Summary of Management Comments

[REDACTED] provided management responses and additional documentation on February 15, 2024, and disagreed with both audit findings, and consequently, their accompanying recommendations. Crowe has evaluated management's responses and reviewed the documentation provided; however, the information provided did not change the noted conditions in each finding. Therefore, we provided a rebuttal to each of management's responses in Appendix B of this report. The following summarizes management's responses:

Finding 2022-01: [REDACTED] disagreed with the finding and recommendation to refund \$38,328 to USAID/BHA for detention costs, or provide documentation supporting the allowability of the costs. [REDACTED] management's position is that the costs should be allowable given the security situation in Afghanistan at the time. In addition, [REDACTED] disagreed with the recommendation to update policies for reviewing invoices to verify allowability under the terms of the grant agreement.

Finding 2022-02: [REDACTED] disagreed with the finding and recommendation to update policies and procedures to verify that employees' job titles match the approved budget, and to reimburse USAID/BHA for \$819 or provide documentation supporting the allowability of those costs. [REDACTED] management's position is that the costs were necessary and allowable under the award. In addition, [REDACTED] disagreed with the recommendation to update policies to retain proof of payment of salary costs for at least three years.

Reference to Appendices

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

INDEPENDENT AUDITOR'S REPORT

To the Management of [REDACTED]
[REDACTED]

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

Report on the Special Purpose Financial Statement***Opinion***

We have audited the Special Purpose Financial Statement (the "Statement") of [REDACTED] (the "Entity") and related notes to the Statement, with respect to the award number [REDACTED] for the [REDACTED] in Afghanistan, funded by the United States Agency for International Development's (USAID) Bureau for Humanitarian Assistance ("BHA") which comprises the revenues earned, costs incurred and balance for the period June 8, 2021 through November 5, 2022.

In our opinion, the accompanying Statement presents fairly, in all material respects, the revenues earned, costs incurred, and balance of [REDACTED] for the period June 8, 2021, through November 5, 2022, in accordance with the financial reporting provisions of the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of award [REDACTED] as described in Notes 1 and 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAGAS"), 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.

(Continued)

Basis of Presentation and Accounting

We draw attention to Notes 1 and 2 of the Statement, which describes the basis of presentation and accounting. As described in Notes 1 and 2 to the Statement, the Statement is prepared by [REDACTED] on the accrual basis of accounting according to generally accepted accounting principles (“GAAP”) in the United States of America and the financial reporting provisions of SIGAR and the terms and conditions of award number [REDACTED] to meet the requirements of SIGAR and the terms and conditions of the task order. 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 Statement in accordance with the financial reporting provisions of SIGAR and the terms and conditions of award number [REDACTED]. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that 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 Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statement.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statement.

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

Restriction on Use

Our report is intended solely for the information and use of [REDACTED] USAID, and SIGAR and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024, on our consideration of [REDACTED] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of [REDACTED] internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering [REDACTED] internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Washington, D.C.

March 7, 2024

[REDACTED]
 Special Purpose Financial Statement
 Award Number [REDACTED]
 For the Period June 8, 2021, through November 5, 2022

[REDACTED]
Special Purpose Financial Statement
[REDACTED]
For the Period June 8, 2021 to November 5, 2022

	Budget	Actual	Questioned Costs		
			Ineligible	Unsupported	Notes
<i>Revenues</i>					
[REDACTED]	\$ 21,800,000	21,800,000			
Total Revenue	\$ 21,800,000	21,800,000			4
 <i>Costs Incurred</i>					
Sectors	-	-			
Economic Recovery and Market Systems	86,083	157,672			
Health	7,400,328	5,826,932	\$ 38,328	\$ 761	A/B
Multipurpose Cash Assistance	6,073,603	7,445,049		\$ 9	B
Protection	4,339,008	4,013,262		\$ 32	B
Shelter and Settlements	914,744	709,624			
Water, Sanitation and Hygiene	2,986,234	3,647,460		\$ 17	B
Total Costs Incurred[1]	\$ 21,800,000	\$ 21,800,000	-	-	5
 <i>Balance</i>		<u>\$ -</u>	<u>\$ 38,328</u>	<u>\$819</u>	6

[1] Due to rounding, there is a \$1 difference between the total costs incurred reported on the SPFS and the total costs incurred reported by sector for the budget and actual.

The accompanying notes to the Special Purpose Financial Statement are an integral part of this Statement.

[REDACTED]
Notes to Special Purpose Financial Statement
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under agreement Number [REDACTED] for the [REDACTED] in Afghanistan for the period June 8, 2021 to November 5, 2022. Because the Statement presents only a selected portion of the operations of [REDACTED] it is not intended to and does not present the financial position, changes in net assets, or cash flows of [REDACTED]. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal award. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Basis of Accounting

Revenues and expenditures reported on the Statement are reported on the accrual basis. Expenditures are recognized following the cost principles contained in US generally accepted cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Foreign Currency Translation Method

For purposes of preparing the Statement, translations from local currency to United States dollars were not required.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which [REDACTED] is entitled to receive from the United States Agency for International Development (USAID) for allowable, eligible costs incurred under the grant during the period of performance.

Note 5. Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component of the modification 2 to the award dated August 8th, 2022.

Note 6. Balance

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the award and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

Note 7. Currency

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

Note 8. Subrecipients (or Grants-Under-Contract) (Exclude if not applicable)

Subrecipient 1. Cost incurred: \$5,914,052.

(Continued)

[REDACTED]
Notes to Special Purpose Financial Statement
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

Note 9. Program Status

The [REDACTED] in Afghanistan is complete. The period of performance concluded on November 05, 2022, as noted in modification number 2 dated August 8, 2022.

Note 10. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the June 8, 2021, to November 5, 2022, period covered by the Statement. Management has performed their analysis through March 7, 2024.

(Continued)

[REDACTED]
Notes to Questioned Costs Purpose Financial Statement
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

- A. Finding 2022-01 questioned \$38,328 as [REDACTED] charged detention costs which are ineligible under their agreement with USAID.
- B. Finding 2022-02 questioned \$819 as unsupported costs since [REDACTED] did not include clerical staff on their approved budget. There were three employee charges that made up this questioned cost amount:
 - a. A salary charge of \$761 charged to the Health sector.
 - b. A salary charge of \$9 to the Multipurpose Cash Assistance sector.
 - c. A salary charge of \$32 to the Protection sector.
 - d. A salary charge of \$17 to the Water, Sanitation and Hygiene sector.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Management of [REDACTED]
[REDACTED]

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of the [REDACTED] (" [REDACTED] " with respect to the award number [REDACTED] for the [REDACTED] in Afghanistan funded by the United States Agency for International Development ("USAID") Bureau of Humanitarian Assistance (BHA) for the period June 8, 2021 through November 5, 2022, and the related notes to the Statement, and have issued our report thereon dated March 7, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Statement, we considered [REDACTED] internal controls over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control (2022-01) and that we consider to be a deficiency internal control (2022-02).

(Continued)

█ Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on █ response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. █ response was not subjected to the other auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Restriction on Use

This report is intended for the information of █ USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction. 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.

Crowe LLP

Crowe LLP

Washington, D.C.

March 7, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Management of [REDACTED]
[REDACTED]

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of the [REDACTED] (" [REDACTED] " with respect to the award number [REDACTED] for the [REDACTED] in Afghanistan funded by the United States Agency for International Development ("USAID") Bureau of Humanitarian Assistance ("BHA") for the period June 8, 2021 through November 5, 2022, and the related notes to the Statement, and have issued our report thereon dated March 7, 2024.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the award, is the responsibility of the management of the [REDACTED]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether [REDACTED] Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Statement. 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 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 2022-01 and 2022-02.

[REDACTED] Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on [REDACTED] response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. [REDACTED] response was not subjected to the other auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on the response.

(Continued)

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 USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction. 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.

Crowe LLP

Crowe LLP

Washington, D.C.
March 7, 2024

[REDACTED]
Section I: Schedule of Findings and Questioned Costs
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. See also § 200.306(b).

(g) Be adequately documented. See also §§ 200.300 through 200.309 of this part.

(h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to § 200.308(e)(3).”

Questioned Costs: \$38,328

Effect: This resulted in ineligible charges to the U.S. government and a misstatement of revenue and expenses on [REDACTED] financial statements.

Cause: Ineffective controls over the allowability of costs. Specifically, [REDACTED] Materials Receiving or Payment Request policy did not include a step where the individual checks the items received or invoice for allowability with the grant agreement.

Recommendation: Crowe recommends that [REDACTED]

1. Refund the \$38,328 to USAID/BHA or provide documentation supporting the allowability of the costs.
2. Update their Materials Receiving and Payment Request policies to include reviewing invoices and materials received for allowability with the terms of the grant agreement.
3. Provide training to employees to educate them on the policy update.

(Continued)

[REDACTED]
Section I: Schedule of Findings and Questioned Costs
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

2022-02: Unsupported Labor Costs

Deficiency in Internal Control and Noncompliance

Condition:

The auditor selected and tested sixty (60) transactions valued at 4,271,542 out of population of 102,972 transactions valued at \$19,635,170 for allowable costs of which twenty-seven (27) samples were for employees' salaries. For three (3) samples related to employees' salaries, [REDACTED] did not provide support to verify that the staff duties were clerical or administrative in nature, or that their position titles were explicitly included in the detailed budget as required by their grant agreement.

- 1) For Sample #32, according to the signed employment contract, title of the employee was listed as "Cash Technical Coordinator" which is not on the detailed budget but was charged to the grant. The amount allocated to the grant for this pay period was \$668.43.
- 2) For Sample #49, according to the signed employment contract, the employee's position is listed as "IT Assistant", but there is no IT assistant on their approved budget but was charged to the grant. The amount allocated to the grant for this pay period was \$95.30.
- 3) For Sample #57, according to the signed employment contract, the employee title is listed as "Project Assistant", which is not on the detailed budget but was charged to the grant. The amount charged for this pay period is \$55.

There was an additional documentation issue as Sample #57 did not include proof of payment. This payment was a salary payment of \$55. [REDACTED] informed the auditor that they did not have proof of payment because the employee was a [REDACTED] case paid at Headquarters on behalf of Afghanistan. [REDACTED] stated that this employee confirmed via email that salary payment was received. However, the auditor could not verify that this payment was made without documentation showing proof of disbursement of the payment.

The total amount for all three samples is \$819. Since these employees were not on the approved detailed budget, the auditor could not identify the project or activity that these employees were associated with.

Criteria:

1. **Base Award [REDACTED] Section 1.4(b)(2)(A)(i)(c) (i) Direct Charges for Administrative and Clerical Staff Salaries**

"Pursuant to 2 CFR 200.413(c), the salaries of administrative and clerical staff may be direct-charged to this Agreement if:

- a. Direct-charging such costs is consistent with the Recipient's normal accounting practices;
- b. The administrative and clerical staff are integral to, and can be specifically identified with, the project or activity supported hereunder;
- c. Such staff, and their direct salary costs, are explicitly included in the Recipient's detailed budget which was the basis for the summary budget set forth in Section 1.4(a) above; and
- d. The costs are not also recovered as indirect costs."

2. [REDACTED]
[REDACTED]

(Continued)

Section I: Schedule of Findings and Questioned Costs
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

3. 2 CFR 200.400(d) – Policy guide

“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.”

4. 2 CFR 200.334 – Retention requirements for records

“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 or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient...”

5. 2 CFR 200.403 – Factors affecting allowability of costs

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

(g) Be adequately documented.”

Questioned Costs: \$819

Effect: This resulted in unsupported charges to the U.S. government and a misstatement of revenue and expenses on their financial statements.

Cause: [REDACTED] changed employee titles during the contract period which caused a discrepancy between the titles in the budget as compared to financial records. [REDACTED] did not have adequate controls in place to address those changes to job titles or to confirm that all labor costs were documented. Additionally, [REDACTED] Human Resources Manual does not contain record retention requirements related to payroll documents, such as which documents should be retained and the retention period.

Recommendation: The auditor recommends that [REDACTED]

1. Reimburse USAID/BHA for \$819 or provide documentation supporting the allowability of the costs.
2. Add a check that employees' titles match those in the authorized budget before the budget is submitted to the funding agency for future awards.
3. Update the Human Resources Manual to address how to process updates to employee changes and titles so that they are properly accounted for in the system.
4. Update the [REDACTED] Human Resources Manual to require that proof of payment for salary costs is maintained for a period of at least three years as required by 2 CFR 200.334.

(Continued)

Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

Crowe also requested from [REDACTED] SIGAR, USAID copies of prior audits, reviews, and evaluations pertinent to [REDACTED] activities under the award. Crowe reviewed three prior audit reports that contained thirteen findings and accompanying recommendations. We assessed the findings to ascertain whether the matters reported in the findings were direct and material to the Special Purpose Financial Statements (“SPFS”) or other financial matters significant to the audit objectives. SIGAR Financial Audit 21-31-FA contained two findings, SIGAR Financial Audit 23-08-FA contained five findings and SIGAR Financial Audit 20-08 FA contained six findings. The three reports collectively contained 13 findings and accompanying recommendations that Crowe determined to be significant to the objectives, and requiring follow-up procedures or corrective actions. Crowe concluded that [REDACTED] had taken corrective action on 11 findings and two remain open as they were repeated under this audit.

Per our review, Crowe identified 13 previous audit findings that required follow up on corrective actions.

1. Finding 2019-01: Undocumented Micro-Purchase Procurement

Report: SIGAR Audit 21-31FA of Costs Incurred under grant agreements [REDACTED] for the period September 29, 2016, through December 31, 2019. SIGAR Audit 23-08FA of Costs Incurred under grant agreement [REDACTED] for the period of April 14, 2020, through December 31, 2021.

Issue: [REDACTED] did not have a written policy or procedure documenting how [REDACTED] would equitably distribute micro-purchases of \$2,500 or under among qualified suppliers and how to ensure that the goods and services for each vendor did not exceed \$2,500.

Status: [REDACTED] developed a Standard Operating Procedure on micro purchases. Crowe determined this finding was remediated as we reviewed the policy as part of our procurement testing and did not note any exceptions.

2. Finding 2019-02: Required Reporting of Budget Deviations Not Completed

Report: SIGAR Audit 21-31FA of Costs Incurred under grant agreements [REDACTED] for the period September 29, 2016, through December 31, 2019.

Issue: [REDACTED] did not report material budget divisions to USAID.

Status: [REDACTED] disagreed with the auditor’s findings and maintains that there were no reportable budget deviations during the award in question. During our testing, Crowe did not note any instances where required budget deviations were not reported and determined the finding was remediated.

3. 2022-01: Exclusion Checks Not Performed on Employees and Cash Beneficiaries/Recipients

Report: SIGAR Audit 23-08FA of Costs Incurred under grant agreement [REDACTED] the period of April 14, 2020, through December 31, 2021.

Issue: [REDACTED] did not perform exclusion checks on several employees and cash beneficiaries under the award.

Status: [REDACTED] maintains that it checked the employees as per their Anti-Terrorist policy and that the vetting of beneficiaries is not required under the USAID “Vetting Mission Order.” In our testing, Crowe found that [REDACTED] was completing anti-terrorist checks on all vendors and determined the finding was remediated.

(Continued)

Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

4. 2022-02: Ineligible Costs Charged to the Program

Report: SIGAR Audit 23-08FA of Costs Incurred under grant agreement [REDACTED] for the period of April 14, 2020, through December 31, 2021.

Issue: [REDACTED] charged six different ineligible costs to the program, including duplicate transactions, transactions belonging to other programs, late fee penalties, airfare related to a missing flight, program was charged for work not performed, and incorrect Hawala fee was charged to the program. These costs totaled \$25,265.

Status: [REDACTED] has reimbursed BHA and removed the ineligible costs. Crowe found an instance of noncompliance during our testing of allowable costs for \$38,328.12 and determined that this finding was not remediated.

5. 2022-03: Costs Not Supported with Sufficient Documentation to Determine Allowability

Report: SIGAR Audit 23-08FA of Costs Incurred under grant agreement [REDACTED] the period of April 14, 2020, through December 31, 2021.

Issue: 27 of 327 fringe benefits did not have documentation to substantiate that they were allowable, resulting in a questioned cost amount of \$255. In addition, one of 197 Other Direct Costs was for a background check for an individual that was not listed as an employee and one Other Direct Cost was missing a depreciation schedule to show how depreciation costs were calculated.

Status: [REDACTED] reversed the unsupported cost and reimbursed BHA. During our testing of allowable costs, Crowe noted three instances of unsupported costs related to salary expenses and determined that this finding was not remediated.

6. 2022-04: Lacked Allocation Methodology

Report: SIGAR Audit 23-08FA of Costs Incurred under grant agreement [REDACTED] for the period of April 14, 2020, through December 31, 2021.

Issue: [REDACTED] did not properly allocate 29 fringe benefits, one per diem charge and eight other direct costs to the award.

Status: [REDACTED] reversed the unsupported cost and reimbursed BHA. As part of our allowable cost testing, Crowe determined whether items were properly allocated to the award and no exceptions were noted from our testing. Crowe determined that this finding was remediated.

7. 2022-05: Inadequate Monitoring over Costs Incurred by the Sub-grantee

Report: SIGAR Audit 23-08FA of Costs Incurred under grant agreement 720FDA20GR00021 for the period of April 14, 2020, through December 31, 2021.

Issue: [REDACTED] subgrantee charged ineligible and unsupported costs to the award, resulting in \$559 in total ineligible costs and \$1,250 in unsupported costs.

Status: [REDACTED] disagreed with the finding and maintained that these costs were eligible under the award as shared costs. Crowe determined this finding to be remediated as we reviewed costs reimbursed to the sub-grantee as part of our allowable cost testing and did not note any ineligible or unsupported costs.

Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

8. Finding 2019-01: Program Supplies Expenses Exceeded Budget by more than 10% without State Approval

Report: SIGAR Audit 20-08FA of Costs Incurred under cooperative agreements [REDACTED] for the period of September 29, 2014, through September 28, 2018.

Issue: [REDACTED] reported actual costs of greater than 10% without prior approval from the State.

Status: [REDACTED] maintains that the State did approve the required report. In our testing, Crowe did not note any budget deviations of greater than 10% that were not reported to the State and determined this finding to be remediated.

9. Finding 2019-02: Timesheets Missing Date of Certifications and/or Supervisor Approval

Report: SIGAR Audit 20-08FA of Costs Incurred under cooperative agreements [REDACTED] for the period of September 29, 2014, through September 28, 2018.

Issue: 102 timesheets were missing the date when the time was entered or approved, two timesheets were missing the supervisor's approval, and one timesheet was submitted on the first day of the month for that month.

Status: [REDACTED] revised its timekeeping policies and procedures to support implementation of "date submitted" section on timesheets. Crowe reviewed employee payroll as part of our allowable cost testing and did not note any exceptions related to timesheets and determined this finding to be remediated.

10. Finding 2019-03: Lacked Evidence for Exclusion and Anti-Terrorist Check

Report: SIGAR Audit 20-08FA of Costs Incurred under cooperative agreements [REDACTED] for the period of September 29, 2014, through September 28, 2018.

Issue: [REDACTED] did not provide evidence of anti-terrorist check for 17 of 107 sampled invoices.

Status: [REDACTED] provided training on required supporting documentation for exclusion and anti-terrorist checks. Crowe reviewed anti-terrorist checks as part of our procurement testing and did not note any exceptions. As a result, Crowe determined that the finding was remediated.

11. Finding 2019-04: Lacked Justification to Support Expense Allocation to Cooperative Agreement

Report: SIGAR Audit 20-08FA of Costs Incurred under cooperative agreements [REDACTED] for the period of September 29, 2014, through September 28, 2018.

Issue: For 11 of 196 samples, [REDACTED] could not provide evidence justifying the costs to be 100% allocated to the Cooperative Agreement, resulting in \$37,989 in unsupported costs.

Status: The Department of State (State), Bureau of Population, Refugees, and Migration (PRM) accepted [REDACTED] supporting documentation for \$34,176 of the unsupported costs; \$3,813 of the costs were determined to be unallowable and were reversed and returned to PRM. Crowe selected and tested a sample of 60 allowable costs to determine whether the costs were allowable and properly allocated

Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Award Number [REDACTED]
For the Period June 8, 2021, through November 5, 2022

under the agreement. Crowe did not note any exceptions, and as a result, determined this finding to be remediated.

12. Finding 2019-05: Lacked Sufficient Evidence to Support Costs Incurred

Report: SIGAR Audit 20-08FA of Costs Incurred under cooperative agreements [REDACTED] or the period of September 29, 2014, through September 28, 2018.

Issue: [REDACTED] did not provide documentation to support allowability for 10 of 10 travel samples tested, resulting in \$1,918 in questioned costs.

Status: PRM accepted [REDACTED] supporting documentation for these costs. Crowe selected and tested a sample of 60 allowable costs to determine whether the costs were allowable and under the agreement. Crowe did not note any exceptions, and as a result, determined this finding to be remediated.

13. Finding 2019-06: Alleged Fraud Incident Resulted in Overcharge for Rental Vehicle Costs

Report: SIGAR Audit 20-08FA of Costs Incurred under cooperative agreements [REDACTED] for the period of September 29, 2014, through September 28, 2018.

Issue: There was an alleged fraud report that was initially included in the SPFS but was resolved between [REDACTED] and State before the audit report was issued.

Status: [REDACTED] has returned to the overage to PRM. [REDACTED] did not have fraud reports related to this award, so Crowe considered this finding to be remediated.

Appendix A: Views of Responsible Officials

[REDACTED] provided the following response to Crowe via email on February 15, 2024, regarding the findings contained in the report. The response has been included herein verbatim and source formatting retained.

FINDING 2022-01: Ineligible Detention Costs

Management Response:

[REDACTED] disagrees with the finding. The delays at the border were due to security reasons exacerbated by the change in Afghanistan which resulted in new and changing requests for different documentation from what was previously required and had been presented, and it was beyond [REDACTED] control. The fees were paid to the vendor as provided for in the vendor contract. [REDACTED] considered the cost of holding charges for trucks carrying inventory of beneficiaries at the border and within Afghanistan before arriving at [REDACTED] warehouse as necessary, reasonable, and allocatable to the federal award to meet the objectives of the project, as per 2 CFR 200.403.

[REDACTED] has well developed finance and supply chain policies with clear guidelines and processes that ensure reviews of invoices and materials received for allowability with the terms of the grant agreements before charging the grants. In addition, staff are provided with periodic training on several topics including finance and budget holder roles in authorization and finance review payment process, complete support documents, accounting, budget control and monitoring based on [REDACTED] policies. This refresher training was last held in 2023 and occurs twice a year.

FINDING 2022-02: Unsupported Labor Costs

Management Response:

Sample #32- (\$668.43).

[REDACTED] disagrees with the finding. The cost for the position charged to the grant was approved in the budget and budget narrative in the technical unit (TU) line. [REDACTED] considers the cost as necessary and allowable to the award.

Sample #49-(\$95.30).

[REDACTED] disagrees with the finding. The cost for the position charged to the grant was approved in the budget and budget narrative under line "Local Support HR, Security & Admin". [REDACTED] consider the cost as necessary and allowable to the award.

Sample #57-(\$55).

[REDACTED] disagrees with the finding. Based on [REDACTED] Afghanistan office structure, the responsibility and salary scale for all assistants are the same, despite of having the position as a project assistant, the staff member has been charged under health promotion assistant positions.

This sample is a medical benefit included in gross payroll calculations. Attached are the support documents that show proof of payment.

In addition, [REDACTED] does have HR policies that track staff changes as seen in chapter 6.2 of the HR manual.



Appendix B: Auditor’s Rebuttal

Crowe LLP (“Crowe” or “we” or “us”) has reviewed the management responses of the [REDACTED] [REDACTED] ([REDACTED] responses to the report audit findings provided to Crowe on February 15, 2024. Crowe incorporates a rebuttal in those instances where management disagrees with the facts presented within the condition, does not concur with Crowe’s recommendation, or provides additional documentation for review. In those instances where management either agrees with the finding or does not disagree with the facts in the finding, as presented, no rebuttal is provided.

Finding 2022:01: Ineligible Detention Costs

This finding was based on criteria cited directly from the terms of base award [REDACTED] as listed below.

a. Section 1.6(c)(1)(B)(iii)

“All despatch earned at the port of unloading on cost, insurance, and freight (CIF) and cost and freight (C&F) shipments, and despatch earned at either the port of loading or unloading for free on board (FOB) or free alongside (FAS) shipments (to the extent that despatch exceeds demurrage incurred on the same 1-16 voyage) must be credited to this Agreement as Program Income (see Section 1.8 below) or refunded to USAID.”

b. Section 1.6(c)(1)(B)(iv) Demurrage and Detention

“Demurrage and Detention costs are otherwise ineligible for USAID financing”.

A screenshot of the approved invoice has been provided below to demonstrate that the invoice description clearly stated, “Trailer Detention (13 May 2022 – 20 July, 2022) (89 Days)”. This expense is explicitly listed as ineligible in the award agreement terms **Section 1.6(c)(1)(B)(iv) Demurrage and Detention**. [REDACTED] provided anecdotal evidence during testing and in their management response above; however [REDACTED] provided no documentation to substantiate their assertions that this expenditure was eligible for reimbursement under the award agreement.

DEBIT INVOICE [REDACTED]

Page 1 of 1

Invoice No: MW-2275A
 Invoice Date: 04 July 2022
 PO No: MOL022
 Point of Loading: BLANKAM
 Point of Discharge: WAGU, ATO
 POB: FOC/010/00038
 No of Trucks: 11 TRUCKS

S. No.	Description	Rate	PER AMOUNT
1.	TRAILER DETENTION (13 MAY 2022 – 20 JULY 2022) (89 DAYS)	PKR 15,000/-	6,189,000.00
TOTAL AMOUNT:			PKR 6,189,000.00

Total in words: **SIX EIGHT SIX EIGHT TWO HUNDRETH EIGHTY THOUSAND ONLY**

Bank Details: [REDACTED]

✓ [Signature]

NOTE: All local, domestic & international charges are to be paid by the Supplier. Taxes are included from all applicable Taxes.

Note: Signature of this Invoice should be verified with a paper from the date of submission, otherwise it will be void and null.

This is a computer generated Invoice signature not required.



FINDING 2022-02: Unsupported Labor Costs

This finding was based on a comparison of expenditures incurred by [REDACTED] to the approved program budget for base award [REDACTED]. The detailed budget included budget line items by specific titles which were vetted against the sampled expenditures to determine if they matched. Crowe found the three samples noted in this finding where the titles in the expenditures: "Cash Technical Coordinator", "IT Assistant," and "Project Assistant," were not included in the detailed budget. In addition, [REDACTED] did not provide proof of payment during fieldwork for Sample #57.

[REDACTED] management has disagreed with this finding but did not provide documentation to support their assertions. [REDACTED] provided one document to address Sample #57. However, the document provided is not sufficient to resolve the finding since:

- The sampled transaction included reference identification JV/KBH/027. The document in [REDACTED] response did not include a matching transaction reference.
- The sampled transaction was for USD \$55, and the document provided in [REDACTED] response was for USD \$1,463.50.
- The sampled transaction was dated 10/31/2021. The document provided in [REDACTED] response was dated March 22, 2022.

Since none of the attributes listed above agreed to the sampled transaction, Crowe deemed this documentation to be irrelevant to the finding.



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SIGAR's Mission

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

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

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

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

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

SIGAR's Mission

Public Affairs Officer

- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202