

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 24-27 Financial Audit

USAID's

Audit of Costs Incurred by

Program:

Inc.

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 September 24, 2021, the U.S. Agency for International Development's Bureau for Humanitarian Assistance (USAID/BHA) awarded a \$16,000,000 grant to [REDACTED] Inc. [REDACTED] in support of USAID/BHA's [REDACTED] [REDACTED] program. The program's goal was to respond to humanitarian needs and foster resilience among conflict-affected and underserved communities in hard-to-reach areas in Afghanistan. The grant required [REDACTED] to address gaps in access to safe water, sanitation, essential health services, and basic food needs. USAID/BHA modified the grant three times. The modifications increased the award amount to \$20,866,146 and extended the period of performance through January 31, 2023.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$19,708,069 in costs charged to the grant from July 1, 2021, through January 31, 2023—the grant's entire period of performance. 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]

Program: Audit of Costs Incurred by [REDACTED]

[REDACTED] Inc.

SIGAR 24-27-FA

WHAT SIGAR FOUND

Crowe identified two significant deficiencies and one deficiency in [REDACTED] internal controls, and three instances of noncompliance with the terms of the award. Specifically, Crowe found that [REDACTED] did not have policies or procedures to verify the eligibility of beneficiaries receiving non-cash assistance, nor did it maintain a complete list of the 675,000 beneficiaries it reported to have served. Additionally, [REDACTED] charged USAID for recruiting costs it could not demonstrate it had incurred. [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 \$3,500 in total questioned costs, consisting entirely of \$3,500 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval. Crowe did not identify any ineligible costs—costs prohibited by the grant and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Recruitment Charges	\$0	\$3,500	\$3,500
Total Costs	\$0	\$3,500	\$3,500

Crowe identified two prior audit reports that were relevant to [REDACTED] award. The reports contained 11 findings and accompanying recommendations that could have had a material effect on the SPFS. Crowe conducted follow-up procedures and concluded that [REDACTED] had not taken adequate corrective action on 3 of the 11 findings as they were repeated under the current audit.

Crowe issued an unmodified opinion on [REDACTED] SPFS, noting that 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, \$3,500 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's three internal control findings.
3. Advise [REDACTED] to address the report's three noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

June 10, 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] Inc. ([REDACTED]) under a grant from the U.S. Agency for International Development's Bureau for Humanitarian Assistance (USAID/BHA) in support of its [REDACTED] ([REDACTED]) program.¹ The program's goal was to respond to humanitarian needs and foster resilience among conflict-affected and underserved communities in hard-to-reach areas in Afghanistan. The grant required [REDACTED] to address gaps in access to safe water, sanitation, essential health services, and basic food needs. Crowe reviewed \$19,708,069 in costs charged to the grant from July 1, 2021, through January 31, 2023. 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, \$3,500 in questioned costs identified in the report.**
- 2. Advise [REDACTED] to address the report's three internal control findings.**
- 3. Advise [REDACTED] to address the report's three 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 12, 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-268)

¹ The grant number is [REDACTED]



[REDACTED]

[REDACTED]

Award No. [REDACTED]

Special Purpose Financial Statement

For the Period July 1, 2021, through January 31, 2023

(With Independent Auditor's Report Thereon)



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TRANSMITTAL LETTER

March 13, 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] (" [REDACTED] award number [REDACTED] funded by the United States Agency for International Development's ("USAID") Bureau for Humanitarian Assistance ("BHA"), to provide the [REDACTED] (" [REDACTED] program for the period July 1, 2021 through January 31, 2023.

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 audit 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 [REDACTED] award.

Sincerely,

John C. Weber, CPA
Partner
Crowe LLP



Summary

Background

On September 24, 2021, The United States Agency for International Development’s (“USAID”) Bureau of Humanitarian Assistance (“BHA”) awarded grant number [REDACTED] to [REDACTED] Inc. (“[REDACTED]”) in support of its [REDACTED] (“[REDACTED]”) program. The initial award amount was \$16,000,000 with a period of performance from July 1, 2021, through August 31, 2022. In total, three modifications were made to the award which increased the total funding to \$20,866,146 and extended the period of performance to January 31, 2023.

The overall goal of the award was to support the [REDACTED] program by responding to multi-sector humanitarian needs and fostering resilience among conflict affected and underserved communities in hard to-reach areas in Afghanistan. [REDACTED] objective under the award was to focus on the immediate needs of vulnerable communities and underserved areas by addressing gaps in access to safe water and basic sanitation facilities; essential health and nutrition services; and basic food needs.

[REDACTED] is a global humanitarian non-profit organization headquartered in [REDACTED], with more than [REDACTED] in nearly [REDACTED]. Founded in [REDACTED], [REDACTED] helps in [REDACTED].

As was stated above, there were three modifications issued under the grant agreement. The modifications are summarized below:

Modification	Purpose
01	<ul style="list-style-type: none"> • Increase funding by \$4,866,146 to a total of \$20,866,146. • Revise the restricted goods list to reference approval of Pharmaceuticals. • Revise Special Provisions • Amend and Restate Attachment 2 – Program Description to incorporate revised program description. • Update Attachment 3 – Standard Provisions • Update Attachment 6 – Pharmaceuticals
02	<ul style="list-style-type: none"> • Extend the period of performance to November 30, 2022 • Approve the transfer of costs from participant support costs to other cost categories. • Incorporate the revised NICRA. • Revise the Special Provisions • Revise the Standard Provisions
03	<ul style="list-style-type: none"> • Extend the period of performance to January 31, 2023

Our audit scope covered the period of performance listed below and the grant amount listed below. The audit period covered the end of the agreement with [REDACTED] and contained closeout procedures.

Award Number	Performance Period	Grant Amount
[REDACTED]	July 1, 2021 - January 31, 2023	\$19,708,069

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 grant agreement number [REDACTED] awarded to [REDACTED] on September 24, 2021. Crowe’s audit encompasses the period July 1, 2021, through January 31, 2023. During this span, [REDACTED] reported \$19,708,069 in costs. Crowe’s audit of [REDACTED] was limited in scope to the activities and expenditures associated with the grant agreement. Whereas the award’s period of performance was extended during the audit period, Crowe’s audit incorporated both financial and closeout audit procedures.

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

Express 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

Evaluate and obtain a sufficient understanding of [REDACTED] internal control related to the award; assess control risk; and identify and report on significant deficiencies, including material internal control weaknesses.

Audit Objective 3 – Compliance

Perform tests to determine whether [REDACTED] complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report 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

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 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 \$19,708,069 during the period July 1, 2021, through January 31, 2023. 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/Cost Principles;
- Cash Management;
- Eligibility;
- Equipment and Real Property;
- Matching and Level of Effort;
- Program Income;
- Procurement;
- Reporting
- Special Tests and Provisions and;
- Subrecipient Monitoring

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the [REDACTED] 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 [REDACTED] 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.

To address Audit Objective 2, which relates to [REDACTED] internal controls, Crowe requested, and the [REDACTED] provided, copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by [REDACTED] 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 [REDACTED] compliance with requirements applicable to the award. Crowe identified – through review and evaluation of the award executed by and between the USAID and [REDACTED] – 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 [REDACTED] and was subsequently evaluated to assess [REDACTED] 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.

(Continued)



Regarding Audit Objective 4, Crowe requested from [REDACTED] SIGAR, and USAID copies of prior audits, reviews, and evaluations pertinent to [REDACTED] activities under the award. Crowe reviewed two prior audit reports that contained eleven findings and accompanying recommendations 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 year findings were remediated. Accordingly, Crowe determined that eight of the eleven prior audit findings were remediated. Crowe identified one instance related to unsupported beneficiary costs, one instance related to documentation of the beneficiary population, and one instance related to late submissions of reports 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.**

Summary of Results

Upon completion of Crowe’s procedures, Crowe identified three 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, two significant deficiencies in internal control and noncompliance (2023-01 and 2023-02) and one deficiency in internal control and noncompliance (2023-03) were reported.

We identified \$3,500 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 \$3,500 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. There were no findings related to fraud or illegal activities included in our report.

Crowe also performed testing in the current period to determine if the prior audit findings were remediated. Crowe determined that three prior findings had not been remediated as they were repeated during this audit. (see Section II: Summary Schedule of Prior Audit, Review, and Assessment – for more details). While these findings were repeated, they were not deemed to have a material effect on this special purpose financial statement.

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)
2023-01	Inadequate Internal Controls Over Financial Reporting	Significant Deficiency in Internal Control and Noncompliance	\$0
2023-02	Inadequate Internal Controls over the Eligibility of Beneficiaries	Significant Deficiency in Internal Control and Noncompliance	\$0
2023-03	Missing Payment Support for Internal Recruiting Charge	Deficiency in Internal Control and Noncompliance	\$3,500
Total Questioned Costs:			\$ 3,500

(Continued)

Summary of Management Comments

[REDACTED] agreed with two, and partially agreed with one of the three findings. The following contains a summary of management's responses:

1. **Finding 2023-01:** [REDACTED] management agreed with and provided additional context to the finding.
2. **Finding 2023-02:** [REDACTED] management agreed with and provided additional context to the finding.
3. **Finding 2023-03:** [REDACTED] management partially agreed with the finding, stating that although the supporting documentation requested was not readily available prior to the end of audit fieldwork, [REDACTED] accounting staff were subsequently able to provide it.

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] (" [REDACTED] ") and related notes to the Statement, with respect to the award number [REDACTED] for the [REDACTED] (" [REDACTED] ") program, 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 July 1, 2021 through January 31, 2023.

In our opinion, the accompanying Statement presents fairly, in all material respects, the revenues earned, costs incurred, and balance of [REDACTED] for the period July 1, 2021, through January 31, 2023, 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.

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 in accordance with 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 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

Washington, D.C
March 12, 2024

[REDACTED]
Special Purpose Financial Statement
Agreement No. [REDACTED]
For the Period July 1, 2021, to January 31, 2023

	Budget	Actual	Ineligible	Questioned Costs		Notes
				Unsupported		
<i>Revenues</i>						
Grant Award No. [REDACTED]	\$ 20,866,146	\$ 19,708,069				
Total Revenue	<u>20,866,146</u>	<u>19,708,069</u>				4
<i>Costs Incurred</i>						
Agriculture	1,206,682	1,434,790		\$ 500		A
Food Assistance - Cash	3,183,552	2,923,221		500		A
Food Assistance - Local Procurement	1,819,819	2,085,707		500		A
Health	6,472,294	5,907,615		500		A
Nutrition	2,517,552	1,664,983		500		A
Protection	150,559	176,362		500		A
Water, Sanitation an Hygiene	5,515,688	5,515,391		500		A
Total Costs Incurred	<u>\$ 20,866,146</u>	<u>19,708,069</u>				
<i>Balance</i>		<u>\$ -</u>		<u>\$ 3,500</u>		A

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 July 1, 2021, through January 31, 2023

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Grant Agreement Number [REDACTED] for the [REDACTED] [REDACTED] for the period July 1, 2021, to January 31, 2023. Since the Statement presents only a selected portion of the operations of [REDACTED] and [REDACTED] (collectively "[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 of accounting. Expenditures are recognized following the cost principles contained in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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 required. Revenue and expenses are translated into U.S. dollars at monthly weighted average rates.

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. Since revenues represent cash advances based on estimated costs incurred, revenues are reconciled to actual costs incurred upon grant closeout.

Note 5. Agreement Budget Cost Categories

The cost categories presented on the SPFS are consistent with the budget cost categories reflected in the final approved award modification signed February 3, 2022, as follows:

<u>The BUDGET</u>	
Sector/Objective	Total Amount
Agriculture	\$ 1,206,682.00
Food Assistance	
<i>Cash</i>	\$ 3,183,552.00
<i>Local Procurement</i>	\$ 1,819,819.00
Health	\$ 6,472,294.00
Nutrition	\$ 2,517,552.00
Protection	\$ 150,559.00
Water, Sanitation and Hygiene	\$ 5,515,688.00
Total Estimated Amount	\$ 20,866,146.00

Note 6. Cash on Hand Balances

[REDACTED] requests and receives monthly cash advances from USAID based on estimated project expenditures. In instances where cash advances exceed actual expenditures, [REDACTED] tracks and reports Cash on Hand balances to USAID on the SF425 submitted each quarter. As of June 30, 2023, [REDACTED] maintained a Cash on Hand balance of \$514,755. In May 2023, [REDACTED] appropriately returned the Cash on Hand amount of \$509,158 to USAID via DHHS's PSC/PMS system while the remaining amount of \$5,597 was remitted to USAID through the DHHS PSC/PMS system in September.

[REDACTED]
Notes to Special Purpose Financial Statement
Award Number [REDACTED]
For the Period July 1, 2021, through January 31, 2023

Note 7. Currency

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

Note 8. Subrecipients

The costs incurred for the subrecipients (subgrantees), Subgrantee 1 and Subgrantee 2, were \$4,326,495 and \$5,214,451, respectively.

Note 9. Program Status

The program activities detailed in the [REDACTED] grant have concluded. The period of performance ended on January 31, 2023, as noted in the Approval of "No-Cost" Extension of Award No. [REDACTED] dated November 8, 2022. The amounts in the SPFS include indirect costs based on actual indirect cost rates for FY21 (16.55%) and FY22 (17%). Since actual indirect cost rates for FY23 will not be available until after the end of the fiscal year ended September 30, 2023, the SPFS reflects a provisional indirect cost rate of 17% for expenditures incurred between October 1, 2022, through January 31, 2023. When final indirect cost rates are computed, management will submit a final SF425 and will adjust cash drawdowns to reflect the actual indirect cost rate for FY23.

Note 10. Subsequent Events

Subsequent events have been evaluated from January 31, 2023, through March 12, 2024, which is the date the Special Purpose Financial Report was available to be issued.

Note 11. Cost Share

The Organization expended \$200,000 in cost-sharing (matching) from non-federal funds in accordance with the provisions of the Agreement. As such, the Organization met the budget requirements under the agreement which required the Recipient ([REDACTED] Inc.) to expend an amount not less than \$200,000 of the total program cost.¹

Note 12. COVID Impact on the Program

Travel restrictions related to the COVID epidemic as well as in-country security concerns limited staff and partner gatherings. As a result, a majority of start-up, close-out and learning events were conducted virtually. In addition, COVID contributed to delays in staff recruitment which delayed program implementation and contributed to delays in the distribution of medical supplies.

Note 13. Security Impact in Afghanistan on the Program

The Taliban came back to power in Afghanistan in mid-August 2021 which impacted the project implementation. Effective October 2021, the Afghanistan central bank imposed restrictions on banking withdrawals which delayed banking services and operations across the country. These banking restrictions along with uncertainty within the country delayed program implementation and created challenges in forecasting funding and expenditures. As a result, USAID approved a no-cost extension which extended the period of the award from November 30, 2022, to January 31, 2023.

¹ The SPFS does not include [REDACTED] cost-sharing amount. Crowe tested to determine if cost-sharing requirements were met and found no issues.

[REDACTED]
Notes to Special Purpose Financial Statement
Award Number [REDACTED]
For the Period July 1, 2021, through January 31, 2023

Note 14. Acronyms

<u>Acronyms</u>	<u>Stand for</u>
DHHS PSC	Department of Health and Human Services Payment Support Center
PMS	Payment Management Center
NICRA	Negotiated Indirect Cost Rate

[REDACTED]
Notes to the Questioned Costs
Award Number [REDACTED]
For the Period July 1, 2021, through January 31, 2023

- A. Finding 2023-03 questioned \$3,500 in an unsupported salary payment.

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 [REDACTED] (" [REDACTED] ") with respect to the award number [REDACTED] for the [REDACTED] (" [REDACTED] ") funded by the United States Agency for International Development ("USAID") Bureau of Humanitarian Assistance (BHA) for the period July 1, 2021 through January 31, 2023, and the related notes to the Statement, and have issued our report thereon dated March 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Statement, we considered [REDACTED] internal control 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 Statement 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 significant deficiencies as items 2023-01 and 2023-02. We also noted a deficiency which is reported as Finding 2023-03 in the Schedule of Findings and Questioned Costs.

(Continued)

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.

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 [REDACTED] 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

March 12, 2024
Washington, D.C.

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] (" [REDACTED] ") funded by the United States Agency for International Development ("USAID") Bureau of Humanitarian Assistance ("BHA") for the period July 1, 2021 through January 31, 2023, and the related notes to the Statement, and have issued our report thereon dated March 12, 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 [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 2023-01, 2023-02, and 2023-03.

[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

March 12, 2024
Washington, D.C.

FINDING 2023-01: Inadequate Internal Controls Over Financial Reporting

Significant Deficiency in Internal Control and Noncompliance

Condition:

We noted that [REDACTED] did not implement adequate internal controls to ensure the accuracy of the general ledger ("GL") and financial statements. As detailed below, we noted multiple changes and updates required to the SPFS and GL after they were initially provided for testing, evidencing a lack of effective internal controls. See below for the changes made to the initial data provided:

- [REDACTED] erroneously included capital expenditures in the base used to calculate indirect costs. This resulted in an overstatement of indirect costs of \$5,598 reported on the SF-425. The amount was subsequently remitted back to the Government on 09/18/2023.
- [REDACTED] initial general ledger included \$19,689 in expenses that were allocable to a different grant. In a subsequent version of the general ledger the costs were removed. The preliminary general ledger provided was incomplete as it did not include \$29,060 in program supplies costs.
- [REDACTED] reclassified an amount of \$1,175 in grant cost costs from their required match funding source to the grant funding source. [REDACTED] did meet their matching requirements.

After the initial errors were identified, [REDACTED] updated their SPFS format to align with the categories on the approved budget and provided a new SPFS for audit. However, during a second GL reconciliation, Crowe found that additional updates were required to reclass expenses in the amount of \$296,512 from the Food Assistance -Local Procurement category to the Food Assistance- Cash Category.

Criteria:

1. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
Section I: Schedule of Findings and Questioned Costs
Award Number [REDACTED]
For the Period July 1, 2021, through January 31, 2023

2. 2 CFR 200.303 – Internal Controls

“The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards...”

Questioned Costs: None.

Effect: There is an increase in the risk of material misstatement of financial reports that may go undetected due to the lack of effective internal controls.

Cause: [REDACTED] does not have adequate controls, including review and approval of financial reports to ensure the accuracy of information prior to submission.

Recommendation: Crowe recommends that [REDACTED] update their policies and procedures to include controls that ensure the timely review and approval of documents as a routine procedure of [REDACTED] team members. The controls should also ensure the review of documents prior to submission.

(Continued)

FINDING 2023-02: Inadequate Internal Controls over the Eligibility of Beneficiaries

Significant Deficiency in Internal Control and Noncompliance

Condition:

Through testing of the eligibility of [REDACTED] program beneficiaries, Crowe noted a lack of documentation and inadequate record-keeping practices as follows:

- 1) [REDACTED] did not maintain a complete list of the 675,000 beneficiaries they asserted to have served.
- 2) [REDACTED] did not have documented policies and procedures to verify the eligibility of Non-cash Assistance for [REDACTED] program beneficiaries. [REDACTED] informed Crowe that they conduct a verification process over beneficiaries to ensure they meet the requirements to receive non-cash benefits. [REDACTED] stated they require verification on at least 10% of total beneficiaries. However, the policies and procedures related to the verification process are informal, and the process was not documented and could not be reperformed.

Criteria:

1. 2 CFR 200.303 - Internal controls.

“The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.”

2. 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,

(Continued)

[REDACTED]
Section I: Schedule of Findings and Questioned Costs
Award Number [REDACTED]
For the Period July 1, 2021, through January 31, 2023

as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities....”

Questioned Costs: None.

Effect: The program objectives for the beneficiaries of the [REDACTED] program may not be achieved or [REDACTED] may not be able to provide evidence to support program achievements for the [REDACTED] program. Additionally, without adequate internal controls over the FRAME program [REDACTED] may not be able to protect program funds from fraud, waste, or abuse.

Cause: [REDACTED] policies and procedures are informal and do not include guidance for documenting eligibility verification practices and retaining supporting documentation.

Recommendation: Crowe recommends that [REDACTED]

1. Establish policies and procedures to document their approach to verifying the eligibility of beneficiaries, including all non-cash benefits across all programs.
2. Ensure document retention procedures are documented, consistent with 2 CFR guidance, and consistently applied across all programs.

(Continued)

FINDING 2023-03: Missing Payment Support for Internal Recruiting Charge

Deficiency in Internal Control and Noncompliance

Condition:

For one (1) out of sixty (60) expenditure samples selected for our Allowable Cost testing, from a population of 52,935 transactions, [REDACTED] recorded costs of \$3,500 with a description of "AUGUST Chief of Party ([REDACTED] Project)." The total amount of expenditures sampled was USD \$2,077,614.52 from a population of USD \$8,521,454.

Although the "Chief of Party" position is aligned with the program and recruitment costs are allowable, [REDACTED] did not provide evidence to support how the expenditure was recorded within their accounting system or proof of payment.

Criteria:

1. [REDACTED]
2. **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."

[REDACTED]
Section I: Schedule of Findings and Questioned Costs
Award Number [REDACTED]
For the Period July 1, 2021, through January 31, 2023

Questioned Costs: \$3,500²

Effect: The government may have paid for costs that did not occur.

Cause: [REDACTED] did not adequately train staff to maintain supporting documentation for the costs incurred against the grant as required by their internal policy.

Recommendation: Crowe recommends that [REDACTED]

1. Provide evidence of payment or reimburse the government for the questioned cost amount of \$3,500.
2. Train [REDACTED] staff to maintain adequate documentation including evidence of payment for allowable costs incurred against the award.

² This questioned cost for an unsupported payment for recruitment costs was allocated across all cost categories since the "Chief of Party" position was intended to benefit the entire program.

[REDACTED]
Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Award Number [REDACTED]
For the Period July 1, 2021, through January 31, 2023

Crowe requested from [REDACTED] SIGAR, USAID copies of prior audits, reviews, and evaluations pertinent to [REDACTED] activities under the award. Crowe reviewed two prior audit reports that contained eleven findings and 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. The FY21 Single Audit contained one finding and SIGAR Financial Audit [REDACTED] contained ten findings. The two reports collectively contained eleven findings and recommendations that Crowe determined to be significant to the objectives, and therefore, required follow-up procedures. Crowe determined that [REDACTED] had taken corrective actions on eight findings and three remain opened (2013-02, 2013-06, and 2013-07) as they were repeated under this audit.

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

1. Finding 2021-001 – Reporting – Late filing of FFATA reports

Report: FY21 [REDACTED] and [REDACTED] Combined Financial Statements and Federal Uniform Guidance Reports.

Issue: [REDACTED] reported three subawards of \$30,000 or more in FY2021 but did not report the subawards to Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) within the timeline required by the FFATA, the last day of the month following the month in which the subaward/amendment was made or where the subaward/modification was made.

Status: [REDACTED] agreed with the finding that the reports were submitted late and implemented an improved control process in 2022. For this award, Crowe noted that Section 1.4(b)(2)(B) exempted [REDACTED] from this requirement and determined this finding to be remediated.

2. Finding 2013-01: Allowable Cost: Cost Allocation and Inconsistent Treatment of Direct Cost

Report: SIGAR Financial Audit [REDACTED] of Costs Incurred Cooperative Agreement [REDACTED] for the period of March 11, 2009, to January 15, 2011.

Issue: Project Costs were reclassified from project direct costs to [REDACTED] Indirect Cost Pool. the auditors were unable to conclude whether these costs were charged to USAID since [REDACTED] cost pool was not included as part of the audit scope. The auditor questioned \$667,795.

Status: [REDACTED] stated that these costs were not billed to the government and had been reversed out of the grant charges and USAID agreed with management, thus these costs were not reimbursed. Crowe performed testing of allowable costs in the current audit and noted no exceptions. As a result, the auditor determined this finding to be remediated.

3. 2013-02: Eligibility: Documentation Supporting Beneficiary Eligibility

Report: SIGAR Financial Audit [REDACTED] of Costs Incurred Cooperative [REDACTED] for the period of March 11, 2009, to January 15, 2011.

Issue: Documentation supporting the eligibility of certain beneficiaries was not available, resulting in a questioned cost of \$4,949.

Status: [REDACTED] agreed with this finding and stated that they could not locate certain documentation due to staff turnover and the fact that the award ended approximately three years before the audit. This amount was reimbursed to USAID. Crowe determined this to be a repeat finding 2023-03 and not remediated.

Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Award Number [REDACTED]
For the Period July 1, 2021, through January 31, 2023

4. 2013-03: Cash Management: Reimbursement versus Advance Basis Payments

Report: SIGAR Financial Audit [REDACTED] of Costs Incurred Cooperative Agreement [REDACTED] for the period of March 11, 2009, to January 15, 2011.

Issue: [REDACTED] received advanced payments from USAID. The auditors noted that the difference between the estimated expenditures and actual expenditures was \$295.

Status: [REDACTED] agreed with the finding and reimbursed USAID for \$295. In the current period audit, payments were made on a reimbursement basis so Crowe determined this to be not applicable.

5. 2013-04: Cash Management: Undocumented Federal Cash Disbursements

Report: SIGAR Financial [REDACTED] of Costs Incurred Cooperative Agreement [REDACTED] for the period of March 11, 2009, to January 15, 2011.

Issue: [REDACTED] was unable to locate documentation for a \$136 transaction and could not provide an exchange rate for two transactions, resulting in a potential overcharge of \$23.

Status: [REDACTED] agreed with the finding and reimbursed USAID for \$159 (\$136+\$23). Crowe performed cash management testing in the current period and did not find this finding to be repeated.

6. 2013-05: Foreign Currency Conversions

Report: SIGAR Financial Audit [REDACTED] of Costs Incurred Cooperative Agreement [REDACTED] for the period of March 11, 2009, to January 15, 2011.

Issue: [REDACTED] could not find documentation to support that the USAID approved [REDACTED] Afghanistan's local currency conversion process.

Status: [REDACTED] agreed with the finding. Crowe performed foreign currency conversion analysis as part of our allowable cost testing and did not find this to be repeated in the current period audit.

2013-06: Reporting: Supporting Documentation for Programmatic Reports

Report: SIGAR Financial Audit [REDACTED] Costs Incurred Cooperative Agreement [REDACTED] the period of March 11, 2009, to January 15, 2011.

Issue: [REDACTED] staff could not provide support for beneficiary data that was included in the final performance report.

Status: [REDACTED] agreed with the finding. Crowe tested a sample of beneficiaries and determined this to be a repeat finding 2023-02 and not remediated.

7. Finding 2013-07: Reporting: Timely Submission of Federal Reports

Report: SIGAR Financial Audit [REDACTED] of Costs Incurred Cooperative Agreement [REDACTED] the period of March 11, 2009, to January 15, 2011.

Issue: For two quarterly performance reports, [REDACTED] could not provide evidence of the date of submission.

Status: [REDACTED] agreed with the finding. In our reporting testing, Crowe noted certain reports were submitted late. This finding was reported to management in the management letter.

[REDACTED]
Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Award Number [REDACTED]
For the Period July 1, 2021, through January 31, 2023

8. Finding 2013-08: Procedures to Prevent Funding, Suspended, Debarred or Excluded Parties

Report: SIGAR Financial Audit [REDACTED] of Costs Incurred Cooperative Agreement [REDACTED] for the period of March 11, 2009, to January 15, 2011.

Issue: [REDACTED] did not have a policy mandating EPLS (Excluded Parties List System) screening during the award. The auditors did an independence search and found a transaction totaling \$1,140 to parties that may be excluded.

Status: The auditors screened using first names only. [REDACTED] did a screening after the fact which resulted in no possible matches. Crowe reviewed suspension and debarment checks performed by [REDACTED] in the current period audit and did not note any exceptions. As a result, Crowe determines this finding to be remediated.

9. Finding 2013-09: Allowable Costs: Payment for Beneficiary

Report: SIGAR Financial Audit [REDACTED] of Costs Incurred Cooperative Agreement [REDACTED] for the period of March 11, 2009, to January 15, 2011.

Issue: A beneficiary was overpaid \$6 for a day not worked.

Status: Management agreed with the finding and repaid the \$6 to USAID. Crowe performed beneficiary testing in the current period audit and did not note any exceptions. As a result, Crowe determines this finding to be remediated.

10. Finding 2013-10: Generation of a Procurement Population

Report: SIGAR Financial Audit [REDACTED] of Costs Incurred Cooperative [REDACTED] - [REDACTED] for the period of March 11, 2009, to January 15, 2011.

Issue: The auditors claimed that USAID did not develop or maintain a procurement register to provide the full procurement population for a given project.

Status: [REDACTED] disagreed with the finding and stated that they provided the auditors with a complete general ledger listing. Crowe tested procurements in the current period audit and was able to receive a population listing of procurements. As a result, Crowe determines this finding to be remediated.

Appendix A: Views of Responsible Officials

provided the following response to Crowe via email on March 11, 2024, regarding the findings contained in the report. The response has been included herein verbatim.

FINDING 2023-01: Inadequate Internal Controls Over Financial Reporting

Management Response: management agrees, but would like to provide context. The SIGAR audit of the award required to prepare a non-standard Special Purpose Financial Statement (SPFS) for the period ending January 31, 2023. The timing of year-end reporting reconciliation process corresponds to the organization's fiscal year of September 30th. Since the SPFS was prepared prior to the year-end reconciliation process, certain reclassifications were not identified until after audit fieldwork had commenced in April 2023. Once identified, corrected the SPFS reflected in this report. To facilitate future special purpose audits, will develop procedures for the preparation, review, and approval of Special Purpose Financial Statements.

FINDING 2023-02: Inadequate Internal Controls over the Eligibility of Beneficiaries

Management Response: management agrees, but would like to provide additional context. As reflected in the "Condition" section of this finding, Crowe noted the following:

- 1) *did not maintain a complete list of the 675,000 beneficiaries they asserted to have served.*

The Afghanistan office was unable to provide a complete, consolidated list of 675,000 beneficiaries within the timeframe specified by the auditors due to the need to remove personally identifiable information from the list. Given the high volume of beneficiaries and broad range of programmatic activities, this information request required more time than was provided during the audit.

In addition, the program included multi-sector projects which required different methods to track beneficiaries and achievements based on the tracking method most appropriate for each activity. For example, individual beneficiary lists were maintained for "direct to recipient" activities such as cash distributions, while census data records were used to track community level interventions such as water rehabilitations. These different program activities and beneficiary tracking methods made gathering a complete list of beneficiaries a challenge.

The Afghanistan office has since updated data management practices and procedures to ensure that beneficiary data is better connected across program sectors enabling Afghanistan to generate a consolidated beneficiary list at the end of a project. In light of these recent database enhancements and process improvements, has the ability to provide a complete beneficiary list, while removing personally identifiable information, in a timely manner to facilitate future audits.

As reflected in the "Condition" section of this finding, Crowe also noted the following:

- 2) *did not have documented policies and procedures to verify the eligibility of Noncash Assistance for program beneficiaries. informed Crowe that they conduct a verification process over beneficiaries to ensure they meet the requirements to receive non-cash benefits. stated they require verification on at least 10% of total beneficiaries. However, the policies and procedures related to the verification process are informal, and the process was not documented and could not be reperformed.*

(Continued)

In March 2024, the [REDACTED] Afghanistan office updated and documented internal procedures and guidelines related to the selection and verification of project participants. These procedures are currently being implemented for all [REDACTED] Afghanistan projects.

FINDING 2023-03: Missing Payment Support for Internal Recruiting Charge

Management Response: [REDACTED] management partially agrees. During audit fieldwork, [REDACTED] [REDACTED] agrees that the supporting documentation for the \$3,500 in recruiting costs was not readily available. However, subsequent to the end of audit fieldwork, [REDACTED] accounting staff was able to gather the supporting documentation which is now available for review. [REDACTED] will provide training to the responsible accounting staff members to ensure the appropriate supporting documentation for similar transactions is readily available upon request.

Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management responses of [REDACTED] ([REDACTED] responses to the audit findings provided to Crowe on March 11, 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 2023-03: Missing Payment Support for Internal Recruiting Charge

[REDACTED] partially agreed with the finding, stating that although the supporting documentation requested was not readily available prior to the end of audit fieldwork, [REDACTED] accounting staff were subsequently able to locate the documentation and it is now available for review. However, management has not actually provided this documentation. The Uniform Grant Guidance requires awardees to provide adequate documentation to support costs charged to the Federal award. Crowe confirms its finding and recommendation that [REDACTED] provide evidence of payment to the government or reimburse the government for the questioned cost amount of \$3,500, and train its staff to maintain adequate documentation including evidence of payment for allowable costs incurred against the award, so that it may be readily produced upon request.



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

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

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

- Web: www.sigar.mil/fraud
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- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

SIGAR's Mission

Public Affairs Officer

- Phone: 703-545-5974
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