

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 24-36 Financial Audit

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

In accordance with legal requirements, SIGAR has redacted certain information deemed proprietary or otherwise sensitive from this report.



SEPTEMBER
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On May 26, 2018, the U.S. Agency for International Development (USAID) awarded a 4-year, \$9,491,153 cooperative agreement to [REDACTED]

[REDACTED] in support of the [REDACTED] program in Afghanistan. The program's goal was to [REDACTED]

[REDACTED]

[REDACTED] USAID modified the agreement 9 times. The modifications increased the award amount to \$18,481,505, and revised the period of performance to August 1, 2018, through August 1, 2023.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$4,569,329 in costs charged to the agreement from January 1, 2021, through July 31, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in [REDACTED] internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether [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.

September 2024

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

SIGAR 24-36-FA

WHAT SIGAR FOUND

Crowe identified three material weaknesses in [REDACTED] internal controls and two instances of noncompliance with the terms of the agreement. For example, Crowe selected 60 beneficiaries who had received cash or other assistance and found that the records of 8 had been destroyed, 21 did not meet eligibility requirements, and 5 were given assistance without evidence they met the selection criteria. Additionally, Crowe found that [REDACTED] policies and procedures governing the selection and distribution of assistance to beneficiaries were incomplete. [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 \$26,511 in total questioned costs, consisting of \$15,103 in ineligible costs—costs prohibited by the agreement and applicable laws and regulations, and \$11,408 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Agriculture	\$2,089	\$7,844	\$9,933
Livestock and Poultry Production	\$1,856	\$2,865	\$4,721
Vocational Educational Training	\$8,852	\$699	\$9,551
School to Work/Medical Professionals Skills Training	\$2,306	\$0	\$2,306
Total Costs	\$15,103	\$11,408	\$26,511

Crowe did not identify any findings or recommendations from prior audit reports that were direct and material to the SPFS or other financial information significant to the audit objectives.

Crowe issued a qualified opinion on [REDACTED] SPFS because it could not observe the beneficiary process through its auditing procedures, nor determine the full extent of costs related to program eligibility that should be questioned.

WHAT SIGAR RECOMMENDS

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

1. Determine the allowability of and recover, as appropriate, \$26,511 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 two noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

September 3, 2024

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

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

We contracted with Crowe LLP (Crowe) to audit the costs incurred by [REDACTED] under a cooperative agreement from the U.S. Agency for International Development (USAID) in support of the [REDACTED] program in Afghanistan.¹ The program's goal was to [REDACTED]

[REDACTED]. Crowe reviewed \$4,569,329 in costs charged to the agreement from January 1, 2021, through July 31, 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 agreement officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$26,511 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 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 May 3, 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.

¹ The cooperative agreement number is [REDACTED].



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

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-266)



[REDACTED]

Special Purpose Financial Statement
For the Period January 1, 2021, through July 31, 2022
(With Independent Auditor's Report Thereon)



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TRANSMITTAL LETTER

May 3, 2024

To the Board of Directors and Management of [REDACTED]

[REDACTED]
Kabul Afghanistan

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

We appreciate the opportunity to provide to you our final report regarding the procedures that we have completed during the course of our audit of the Special Purpose Financial Statement ("SPFS") applicable to [REDACTED] cooperative agreement number [REDACTED], funded by the United States Agency for International Development ("USAID"), to provide support for the [REDACTED] Program, for the period January 1, 2021 through July 31, 2022.

Within the pages that follow we have provided a brief 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 will be 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] cooperative agreement.

Sincerely,

Bert Nuehring, CPA
Partner
Crowe LLP



Summary

Background

On May 26, 2018, The United States Agency for International Development’s (“USAID”) Mission in Afghanistan awarded cooperative agreement No. [REDACTED] to the [REDACTED] to provide support for the [REDACTED] Program. The initial award amount was \$9,491,153, for a 4-year period of performance from May 26, 2018 – May 25, 2022. In total, nine modifications were made to the agreement, which revised the start date to August, 1, 2018, extended the period of performance to August, 1, 2023, and increased the funding to \$18,481,505.

The goal of the cooperative agreement was to create job opportunities and address constraints marginalized populations - internally displaced people, returnees, women, and youth - face securing jobs and business opportunities in Afghanistan. The [REDACTED] program aimed to implement its jobs creation and economic growth strategy through six component activities: [REDACTED]

[REDACTED] is a humanitarian non-governmental organization that implements programs aimed at addressing global poverty. According to its website, [REDACTED] has implemented [REDACTED] poverty fighting, development, and humanitarian aid projects around the world, and operates in [REDACTED] countries¹. Although the award was awarded to [REDACTED], it’s component unit [REDACTED], is implementing the program.

The 9 modifications occurring within the audit period are summarized below:

Modification	Purpose
P001	The purposes of modification P001 are to: <ul style="list-style-type: none"> • Add additional language under Monitoring and Evaluation Plan; • Revise the Quarterly financial Reporting requirements from 15 to 30 calendar days after quarter end; • Correct the payment Office Details; • Revise the Annual Report requirement to replace “semi-annual reports” with “quarterly report”; and • Incorporate revised Mandatory Standard Provision, M14 regulating government employees (JUNE 2018) and a new Provision, M30, conflict of interest (August 2018).
P002	The purposes of modification P002 are to change: <ul style="list-style-type: none"> • Section A.2, Period of Performance of the Agreement; • The effective date of this Cooperative Agreement is August 1, 2018, and the estimated completion date is July 31, 2022; • Section A.4, Award Budget; • Section A.6, Indirect Cost; • Section A.8, Substantial Involvement; • Section A.11, Subaward; • Attachment B - Program Description; and • Attachment C. Branding Strategy and Marking Plan.
P003	The purpose of modification P003 is to: <ul style="list-style-type: none"> • Update the Agreement Officer name; and

¹ [REDACTED]

(Continued)

Modification	Purpose
	<ul style="list-style-type: none"> Update the Agreement Officer's Representative ("AOR") name.
P004	<p>The purposes of modification P004 are to:</p> <ul style="list-style-type: none"> Realign the Grant budget for all four components of the [REDACTED] agreement; Revised A.7 Agreement Officer's Representative.
P005	<p>The purpose of modification P005 is to:</p> <ul style="list-style-type: none"> Incrementally fund the award by \$4,360,697, thus increasing the total obligated amount from \$5,130,456.00 to \$9,491,153. Update the Agreement Officer name; and Update the Agreement Officer's Representative name.
P006	The purpose of this modification is to update the AOR and the Alternate AOR for the award.
P007	<p>The purposes of modification P007 are to:</p> <ul style="list-style-type: none"> Incorporate the Re-Aligned Budget; Replace Attachment B – Program Description; and Incorporate the Office of Foreign Assets Control ("OAC") License requirements.
P008	<p>The purpose is to process an amendment for a one-year time extension and increase in Total Estimated Amount of the Cooperative Agreement.</p> <ul style="list-style-type: none"> Incorporate the re-aligned budget. Replace Attachment B - Program Description. Extend the period of performance from 07/31/2022 to 08/01/2023. Incrementally fund the agreement by \$5,000,000. Increase the Total Estimated Amount by \$8,990,352 from \$9,491,153 to \$18,481,505. Delete the Agreement Officer name in the administrative Office information in the award. Delete the AOR name in the award.
P009	<p>The purpose of this modification is to swap funds in the amount of \$1,053,671 with no change to the total obligated amount or total estimated amount.</p> <ul style="list-style-type: none"> De-sub obligates \$1,053,671 from fund ES-OCOES-OCO. Sub-obligate \$1,053,671 to fund ES-OCO.

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 cooperative agreement No. [REDACTED] awarded to [REDACTED]. Crowe's audit encompasses the period January 1, 2021, through July 31, 2022. During this span, [REDACTED] reported \$4,569,329 in both costs incurred and revenues earned. Crowe's audit of [REDACTED] will be limited in scope to the activities and expenditures associated with the cooperative agreement. Crowe's audit will not incorporate closeout audit procedures as the period of performance extends beyond the audit period end date.

(Continued)



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*:

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether [REDACTED] Special Purpose Financial Statement for the award presents 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. Crowe will issue our Independent Auditor's Report on the Special Purpose Financial Statement. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

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. Crowe will issue our Independent Auditor's Report on Internal Control. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

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. Crowe will prepare a Summary Schedule of Prior Audit, Review and Assessment Findings as applicable.

(Continued)

Scope

The scope of the audit included the total costs incurred and revenues earned of \$4,569,329, during the period January 1, 2021, through July 31, 2022. The audit was limited to those matters and procedures pertinent to the cooperative agreement 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;
- Procurement; and
- Reporting.

Methodology

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

In order to address Audit Objective 2, which relates to [REDACTED] internal controls, Crowe requested, and [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 that 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 cooperative agreement 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, beneficiaries (to assess eligibility), 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 agreement with USAID.

(Continued)

Regarding Audit Objective 4, Crowe inquired of [REDACTED], 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 two audit reports, which contained a total of three findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. We concluded that neither of the reports contained findings or recommendations that required additional testing or follow up. 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 cooperative agreement; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued a qualified opinion on the SPFS as we were unable to observe the beneficiary selection process through our auditing procedures and were unable to determine the full extent of costs related to program eligibility that should be questioned.

Crowe also reported on [REDACTED] internal controls over financial reporting and compliance with applicable laws, rules, regulations, and the terms and conditions of the cooperative agreement. In total, three material weakness in internal control and two instances of noncompliance were identified.

We identified \$26,511 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 \$15,103 questioned costs are classified as ineligible and \$11,408 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 cooperative agreement. Crowe reviewed two prior audit reports and determined that it did not contain findings and accompanying recommendations that may be direct and material to the Special Purpose Financial Statement or other financial information significant financial data to the audit objectives. 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 and Unsupported Beneficiary Costs	Material Weakness and Noncompliance	\$20,162
2022-02	Unsupported Beneficiary Identification	Material Weakness and Noncompliance	\$6,349
2022-03	Undocumented Beneficiary Selection and Assistance Distribution Processes	Material Weakness	\$0
Total Questioned Costs:			\$26,511

(Continued)



Summary of Management Comments

 agreed with all three audit findings. The following contains a summary of management's responses:

1. **Finding 2022-01:** Management agreed with the facts of the finding but disagreed with the classification.
2. **Finding 2022-02:** Management agreed with the facts of the finding but disagreed with the classification.
3. **Finding 2022-03:** Management agreed with the facts of the finding but disagreed with the classification.

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 Board of Directors and Management of [REDACTED]

[REDACTED]
Kabul Afghanistan

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

Report on the Audit of the Special Purpose Financial Statement

Qualified Opinion

We have audited the Special Purpose Financial Statement (the "Statement") of [REDACTED] and the related notes to the Statement, with respect to the cooperative agreement number [REDACTED], funded by the United States Agency for International Development ("USAID"), to provide for the [REDACTED], for the period January 1, 2021, through July 31, 2022 which comprises the revenues earned, costs incurred, and balance.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying Statement presents fairly, in all material respects, the revenues earned, costs incurred, and balance thereafter, of [REDACTED] cooperative agreement number [REDACTED] for the period January 1, 2021, through July 31, 2022, in accordance with accounting principles generally accepted in the United States of America, and the financial reporting provisions of SIGAR and the terms and conditions of cooperative agreement number [REDACTED], as described in Note 2.

Basis for Qualified Opinion

As discussed in finding 2022-01, we were unable to observe the Beneficiary Selection Process and were unable to satisfy ourselves by other auditing procedures concerning their program eligibility. As a result of this matter, we were unable to determine whether any adjustments might have been necessary with respect to Activity 1, 2, 3, and 4 of the Statement, along with the related revenues, included on the Statement.

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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of [REDACTED], and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

(Continued)

Basis of Presentation and Accounting

We draw attention to Note 2 of the Statement, which describes the basis of presentation and accounting. As described in Note 2, 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 Special Inspector General for Afghanistan Reconstruction (“SIGAR”) and the terms and conditions of cooperative agreement number [REDACTED], to meet the requirements of SIGAR and the terms and conditions of the cooperative agreement. Our opinion is 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 cooperative agreement 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 special purpose financial statements.

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 the [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 May 3, 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

May 3, 2024
Washington, D.C

[REDACTED]
 Special Purpose Financial Statement
 Cooperative Agreement Number [REDACTED]
 For the Period January 1, 2021, through July 31, 2022

			Questioned Costs		
	Budget	Actual	Ineligible	Unsupported	Notes
<i>Revenues</i>					
Agreement Number [REDACTED]	\$ 18,481,505	\$ 4,569,329			
Total Revenue	18,481,505	4,569,329			3
<i>Costs Incurred</i>					
Activity 1 [REDACTED]	4,570,818	1,451,683	\$ (2,089)	\$ (7,844)	A/B
Activity 2 [REDACTED]	6,143,331	1,475,278	(1,856)	(2,865)	A
Activity 3 [REDACTED]	2,401,413	1,002,786	(8,852)	(699)	A/B
Activity 4 [REDACTED]	2,494,218	469,453	(2,306)		A
Activity 5 [REDACTED]	1,645,530	-			
Activity 6 [REDACTED]	278,220	-			
Security	947,975	170,130			
Total Costs Incurred^[1]	<u>\$ 18,481,505</u>	<u>4,569,329</u>	<u>(15,103)</u>	<u>(11,408)</u>	4
<i>Balance</i>		<u>\$ -</u>			6

[1] Due to rounding, there is \$1 between the total costs incurred and the costs reported by activity, in aggregate.

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

(1) The Company

[REDACTED] operates [REDACTED], which is focused on providing services for health and nutrition, clean water, women empowerment and justice within Afghanistan. The aim of [REDACTED] focused on Afghanistan cooperates with United Nation donors and nonprofits operating within Afghanistan to maximize its impact and mission for the people who the program is dedicated to serving.²

[REDACTED] is a leading humanitarian organization fighting global poverty. [REDACTED] places special focus on working alongside women and girls. Equipped with the proper resources, women and girls have the power to lift whole families and entire communities out of poverty. In 2022, [REDACTED] worked in over [REDACTED] countries, reaching [REDACTED] million people through nearly [REDACTED] projects.³

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Cooperative Agreement Number [REDACTED] for the [REDACTED] project for the period January 1, 2021 through July 31, 2022. Because the Statement presents only a selected portion of the operations of [REDACTED], it is not intended to and does not present the financial position, changes in net assets, or cash flows of [REDACTED]. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal award. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Basis of Accounting

Revenues and expenditures reported on the Statement are reported on an accrual basis. Expenditures are recognized following the cost principles contained in Subpart E Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Currency

The policy applies to all [REDACTED] business units (BUs). In their accounting system all accounting transactions denominated in foreign currencies must be translated to the US dollar based on the system rate, except cash conversions, transfers and receipts that must be recorded using the actual bank rate offered by the financial institutions that performed the cash conversions.

Policy Details:

1. Each [REDACTED] entity has a functional currency. For [REDACTED] USA, the functional currency is the US dollar. [REDACTED] translates all accounting transactions denominated in foreign currencies to US dollar for reporting purpose.

² [REDACTED]
³ [REDACTED]

[REDACTED]
Notes to Special Purpose Financial Statement
Cooperative Agreement Number [REDACTED]
For the Period January 1, 2021, through July 31, 2022

2. The system rate to be used to translate foreign currency accounting transactions to the US dollar is populated automatically in [REDACTED] based on the "BID" rate from a currency rate database website. The "BID" rates are downloaded daily from the website and loaded in the accounting system as system rates. All other rate sources are exceptions.

* This is a website that provides interbank market exchange rates and is trusted and used by major corporations, tax authorities, and auditing firms worldwide, including [REDACTED]. These rates are downloaded daily into the accounting system and used as system rate.
* System rates are the "ASK" and "BID" rates extracted from the website and loaded daily into the accounting system.
3. The system rate to be used for revaluing balance sheet accounts at the end of each accounting period is the bank sell rate for US dollars. This rate is populated automatically in [REDACTED] based on the "ASK" rate from the currency rate website database. The "ASK" rates are downloaded daily from the website and loaded in accounting system as system rates.
4. Users must only use the system BID rate in the General Ledger and the Accounts Payable modules when recording accounting transactions, including payroll, accruals, adjusting journal entries and vouchers.
5. Users must use the actual conversion rate to record cash conversions in the Cash Management module and cash receipts in the Accounts Receivable module.
6. Any exceptions must be carefully documented and approved by the Chief Financial Officer (e.g. prior period corrections).

(3) Revenue

As of July 31, 2022 (the end of the audited period), [REDACTED] had reported \$4,569,329 in revenue. Revenues on the Statement represent the amount of funds to which [REDACTED] is entitled to receive from USAID for allowable, eligible costs incurred under the award during the period of performance.

(4) Cost Categories

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 number 8 to the award dated July 20, 2022.

(5) Program Status

The period of performance for the award concluded on August 1, 2023, as noted in modification number 8 dated July 20, 2022. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of continued program activities.

(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. There is no balance to report through July 31, 2022.

(7) Reconciliation to Cumulative Draw Amounts

Payments for the award were made through letter of credit (LOC) based on paid expenses (total expenses less accounts payable and accruals). Below is the reconciliation of total receipts to the total expenses in the SPFS:

Cumulative Receipts (Sep 2022 SF-425)	\$8,493,114
Less: Beginning balance for Jan 2022 drawdown	3,488,615
Less: Accounts Payable Balance Dec 2022	263,693
Add: Accounts Payable & Accrual end balance June	34,253
Less: Receipts for August 2022 Expenses	205,729
Total Expenses Reported in the SPFS	\$4,569,329

(8) COVID-19 Impact

In the fiscal year 2020, the project was significantly impacted by the advent of the COVID-19 pandemic and subsequent lockdown measures. This led to the disruption of activities such as life skill training and teacher preparedness training classes, necessitating a pause in placement initiatives to safeguard both project staff and beneficiaries from potential infection. [REDACTED] responded by advocating remote work and a 50% rotational on-site presence following the lockdown. Furthermore, the government lockdowns further delayed the procurement process of contracting suitable vendors for implementing vocational training. This resulted in [REDACTED] technical employees providing support/advice to the project beneficiaries through mobile communication. These actions have resulted in improved achievements in the project objectives and helped us to complete several activities on timely manner within the context of the challenges.

(9) Security impact in Afghanistan

The regime changes in the fiscal year 2021 negatively impacted the private sector's capacity to attract skilled labor and fulfill labor requirements. The project adapted diverse strategies for placing Vocation and Educational Training ("VET") and Ultrasound graduates, encompassing self-employment initiatives, interactive sessions, focus groups, and collaborations to forge market connections. Escalating conflicts and shifts in national leadership during the fiscal year 2021 imposed a pause on project operations that spanned over a month, causing the displacement of project beneficiaries. Commencing in the fiscal year 2022, project implementation experienced a delay due to the Taliban takeover of Afghanistan and application of stipulation for official authorization letters from line ministries before initiating field activities. Despite all these challenges the project has significantly succeeded and completed its strategic activities within the context. These successes were not possible without support from USAID/USG.

(10) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the January 1, 2021, to July 31, 2022, period covered by the Statement. Management has performed their analysis through May 3, 2024.

[REDACTED]
Notes to the Questioned Costs
Cooperative Agreement Number [REDACTED]
For the Period January 1, 2021, through July 31, 2022

[REDACTED]
Notes to the Questioned Costs
Cooperative Agreement Number [REDACTED]
For the Period January 1, 2021, through July 31, 2022

A. Finding 2022-01

The breakdown of the question cost amount is as follows for ineligible costs:

Component	Ineligible
Component 1	\$2,089
Component 2	\$1,856
Component 3	\$8,852
Component 4	\$2,306
Total	\$15,103

The breakdown of the questioned cost amount is as follows for unsupported costs:

Component	Unsupported
Activity 1	\$2,194
Activity 2	\$2,865
Activity 3	\$0
Activity 4	\$0
Total	\$5,059

This sums to \$20,162 in questioned costs for Finding 2022-01.

B. Finding 2022-02

The breakdown of the questioned cost amount is as follows for unsupported costs:

Component	Unsupported
Activity 1	\$5,650
Activity 2	\$0
Activity 3	\$699
Activity 4	\$0
Total	\$6,349

(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management of [REDACTED]
[REDACTED]
Kabul Afghanistan

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] with respect to the cooperative agreement number [REDACTED], funded by the United States Agency for International Development ("USAID"), to provide support for the [REDACTED] for the period January 1, 2021, through July 31, 2022, and the related notes to the Statement, and have issued our report thereon dated May 3, 2024. Our report included a Qualified Opinion on the Statement due to the Questioned costs identified.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-01, 2022-02 and 2022-03 that we consider to be material weaknesses.

(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

Crowe LLP

May 3, 2024
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors and Management of [REDACTED]

[REDACTED]
Kabul Afghanistan

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] with respect to the cooperative agreement number [REDACTED], funded by the United States Agency for International Development ("USAID"), to provide support for the [REDACTED], for the period January 1, 2021, through July 31, 2022, and the related notes to the Statement, and have issued our report thereon dated May 3, 2024.

Report on 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 two instances of noncompliance that is 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], 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

May 3, 2024
Washington, D.C.

Section I: Schedule of Findings and Questioned Costs
 Cooperative Agreement Number [REDACTED]
 For the Period January 1, 2021, through July 31, 2022

FINDING 2022-01: Ineligible and Unsupported Beneficiary Costs

Material Weakness in Internal Control and Noncompliance

Condition:

Crowe Eligibility Testing:

Crowe selected sixty (60) out of 1,626 beneficiaries who received cash and other material assistance from [REDACTED]. For eight (8) of the sampled 60, [REDACTED] informed Crowe that beneficiary eligibility documents were destroyed in accordance with guidance provided by USAID on August 14, 2021. Twenty-six (26) exceptions were identified across two (2) different types of exceptions in the following tables.

Exception #1: Crowe noted that for twenty-one (21) of the sixty (60) samples selected, the beneficiary did not meet the minimum required eligibility score; \$15,103 of direct and indirect costs are attributable to these beneficiaries as noted in the table below.

S/N ⁴	Region	Direct Cost	Indirect Cost	Total	Component	Score Obtained	Score Needed
3	[REDACTED]	\$620	\$149	\$769	[REDACTED]	77.8%	90.0%
15	[REDACTED]	\$620	\$149	\$769	[REDACTED]	77.8%	90.0%
35	[REDACTED]	\$620	\$149	\$769	[REDACTED]	77.8%	90.0%
53	[REDACTED]	\$564	\$135	\$699	[REDACTED]	80%	100%
77	[REDACTED]	\$564	\$135	\$699	[REDACTED]	80%	100%
78	[REDACTED]	\$569	\$136	\$705	[REDACTED]	90%	100%
108	[REDACTED]	\$564	\$135	\$699	[REDACTED]	90%	100%
195	[REDACTED]	\$499	\$120	\$619	[REDACTED]	88.9%	90.0%
203	[REDACTED]	\$547	\$129	\$676	[REDACTED]	92%	100%
213	[REDACTED]	\$499	\$120	\$619	[REDACTED]	88.9%	90.0%
243	[REDACTED]	\$499	\$120	\$619	[REDACTED]	88.9%	90.0%
251	[REDACTED]	\$569	\$136	\$705	[REDACTED]	77%	100%
362	[REDACTED]	\$564	\$135	\$699	[REDACTED]	80%	100%
395	[REDACTED]	\$564	\$135	\$699	[REDACTED]	80%	100%
493	[REDACTED]	\$616	\$148	\$764	[REDACTED]	90%	100%
533	[REDACTED]	\$616	\$148	\$764	[REDACTED]	80%	100%
559	[REDACTED]	\$616	\$148	\$764	[REDACTED]	80%	100%
580	[REDACTED]	\$616	\$148	\$764	[REDACTED]	80%	100%
586	[REDACTED]	\$616	\$148	\$764	[REDACTED]	80%	100%

⁴ The S/N abbreviation stands for sample number. It is used by [REDACTED] to track each beneficiary.

(Continued)

[REDACTED]
 Section I: Schedule of Findings and Questioned Costs
 Cooperative Agreement Number [REDACTED]
 For the Period January 1, 2021, through July 31, 2022

610	[REDACTED]	\$620	\$149	\$769	[REDACTED]	80%	100%
641	[REDACTED]	\$620	\$149	\$769	[REDACTED]	90%	100%
Total		\$12,182	\$2,921	\$15,103			

Exception #2: Crowe noted that for five (5) of the sixty (60) beneficiaries selected, the beneficiary selection criteria was not provided by [REDACTED]. As a result, Crowe was not able to determine whether the beneficiary was eligible to receive the financial or material support; \$5,059 of direct and indirect costs are attributable to these beneficiaries as noted in the table below.

S/N	Region	Direct Cost	Indirect Cost	Total	Component
91	[REDACTED]	\$499	\$120	\$619	[REDACTED]
138	[REDACTED]	\$499	\$120	\$619	[REDACTED]
148	[REDACTED]	\$1,313	\$315	\$1,628	[REDACTED]
170	[REDACTED]	\$1,313	\$315	\$1,628	[REDACTED]
420	[REDACTED]	\$457	\$108	\$565	[REDACTED]
Total		\$4,081	\$978	\$5,059	

Background:

The [REDACTED] program aimed to implement its jobs creation and economic growth strategy through six key activities:

[REDACTED]

Activities were implemented in the [REDACTED]. Beneficiaries within each district were selected through a Beneficiaries Selection Committee (“BSC”) – comprised of local community elders who were nominated by local communities and approved by [REDACTED].

The BSCs were responsible for identifying potential beneficiaries. BSCs used an “initial survey” form (see Figure 1 in Appendix C) to assist in the process. All potential potential beneficiaries were subject to two further screenings by [REDACTED]. The first gathered data related to the candidates education, occupation and income among other things (see Figure 2 “Household Level Assessment” in Appendix C). The second, used a scoring system found on the “Beneficiary Selection Criteria” form (included in the criteria section). The form was intended to help [REDACTED] ensure beneficiaries were eligible for program assistance. The scoring system on the form noted minimum passing eligibility scores ranging from 80% to 100% which were dependent on the activity.

(Continued)

Criteria:

1. Criteria Listed on the Surveys provided by [REDACTED]

The following table shows the criteria on the beneficiary surveys provided by [REDACTED]

Component	Criteria on Survey
Common Criteria (all)	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
(1) [REDACTED]	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]

(Continued)

Section I: Schedule of Findings and Questioned Costs
Cooperative Agreement Number
For the Period January 1, 2021, through July 31, 2022

Component	Criteria on Survey
	<p>[Redacted]</p>
(2)	<p>[Redacted]</p>

(Continued)

[REDACTED]
 Section I: Schedule of Findings and Questioned Costs
 Cooperative Agreement Number [REDACTED]
 For the Period January 1, 2021, through July 31, 2022

Component	Criteria on Survey
	[REDACTED]
(3)	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
(4)	[REDACTED] [REDACTED] [REDACTED]

On each beneficiary survey provided by [REDACTED], it noted the minimum score required for each beneficiary for each program. Per discussion with [REDACTED] this criteria checklist was created to help [REDACTED] employees determine which beneficiaries are eligible to receive support based on the requirements of the cooperative agreement. We have consolidated the score required for each program as follows:

Component	Minimum Criteria Required
Component 1: [REDACTED]	80%
Component 1: [REDACTED]	100%
Component 2: [REDACTED]	90%
Component 3: [REDACTED]	100%
Component 4: [REDACTED]	90%

(Continued)

2. Cooperative Agreement [REDACTED] Attachment A: Schedule A.1 Purpose of Agreement

“The purpose of this Cooperative Agreement is to provide support for the implementation of [REDACTED] as described in Attachment B of this Agreement entitled “Program Description”. The recipient is responsible for ensuring the achievement of the program objectives and using its unique combination of staff, facilities, and experience has the primary responsibility for the efficient and effective administration of the award through the application of sound organization and management practices. The Recipient will assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of this award.”

3. 2 CFR 200.400(b), Policy guide

“The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.”

Questioned Costs: \$20,162

Effect: The United States Government provided financial support to individuals ineligible to receive benefits under the program, potentially undermining the intent and effectiveness of the program as a whole. As a result, [REDACTED] may have provided inflated numbers and support amounts to USAID.

Cause: Management did not properly communicate the requirements of the Beneficiary Selection Criteria form to project level employees responsible for determining beneficiary eligibility, as distributing program funds to displaced individuals was prioritized over program compliance.

Recommendation: We recommend that [REDACTED]:

1. Ensure project level employees are aware of all program compliance requirements applicable to their jobs duties by increasing communications from management and management led trainings.
2. Provide evidence to support that the beneficiaries were eligible or reimburse USAID \$20,162 for the ineligible beneficiaries identified as part of this finding.

FINDING 2022-02: Incorrect Beneficiary Identification Provided

Material Weakness in Internal Control and Noncompliance

Crowe gained an understanding of the beneficiary selection process as outlined in Finding 2022-01. Crowe then selected sixty (60) out of 1,626 beneficiaries for testing. Crowe reviewed the supporting documentation provided for each beneficiary, which included the initial survey, the household level assessment and a copy of each beneficiary's National Identification card. Crowe reviewed the National Identification card to verify that it matched the number on the initial survey or household level of assessment and that the support was given to the correct individual.

Crowe noted that for three (3) of sixty (60) beneficiaries, [REDACTED] did not maintain documentation to support that the National Identifications cards provided as part of the beneficiary packet matched the other supporting documentation provided for that beneficiary. As a result, Crowe could not determine if the support went to the correct beneficiary. \$6,349 of direct and indirect costs are attributable to these beneficiaries as noted in the table below.

S/N	Region	Amount	Indirect Cost Amount	Total	Component
1	[REDACTED]	\$3,946	\$946	\$4,892	[REDACTED]
103	[REDACTED]	\$611	\$147	\$758	[REDACTED]
311	[REDACTED]	\$564	\$135	\$699	[REDACTED]
Total		\$5,021	\$1,228	\$6,349	

Criteria:

1. Cooperative Agreement [REDACTED] Attachment A: Schedule A.1 Purpose of Agreement

"The purpose of this Cooperative Agreement is to provide support for the implementation of [REDACTED] as described in Attachment B of this Agreement entitled "Program Description". The recipient is responsible for ensuring the achievement of the program objectives and using its unique combination of staff, facilities, and experience has the primary responsibility for the efficient and effective administration of the award through the application of sound organization and management practices. The Recipient will assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of this award."

2. 2 CFR 200.400(b), Policy guide

"The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award."

Questioned Cost: \$6,349

Effect: Funds are being disbursed to beneficiaries without proper identification, resulting in [REDACTED] distributing funds to potentially ineligible beneficiaries and overstating the costs of the program.

Cause: [REDACTED] did not have a policy in place detailing beneficiary documentation and how the documentation should be reviewed to verify that the information was complete and accurate.

Recommendation: We recommend that [REDACTED]:

(Continued)

Section I: Schedule of Findings and Questioned Costs
Cooperative Agreement Number [REDACTED]
For the Period January 1, 2021, through July 31, 2022

1. Develop a policy that details what documentation needs to be received from a beneficiary and how to review the file for accuracy and completion.
2. Provide evidence to support that the beneficiaries were eligible or reimburse \$6,349 for the unsupported beneficiaries identified as part of this finding.

(Continued)

FINDING 2022-03: Undocumented Beneficiary Selection and Assistance Distribution Processes

Material Weakness in Internal Control

Condition: The [REDACTED] program distributes cash and other material assistance to beneficiaries under one of their six component activities. Activities in the award fall under one of six categories: [REDACTED]

During the course of our review, Crowe noted that [REDACTED] does not maintain documented policies and procedures over the beneficiary selection and assistance distribution process. For example, major activities that should have been formally documented in [REDACTED] policies and procedures include:

- How a potential beneficiary is identified for a given activity
- How the amount of assistance to be provided is determined
- How [REDACTED] determines if a potential beneficiary is eligible for the assistance
- What [REDACTED] employees are involved in the selection process and their job specific duties
- What [REDACTED] employees review and approve the selections made
- What documents are required of the beneficiaries and how those documents are retained
- Whether [REDACTED] conducts independent verifications over the beneficiary information received
- How [REDACTED] determines the distribution date and venue for distributing assistance
- What safeguards are implemented while distributing the assistance

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)....”

2. Government Accountability Office – Green Book Section OV2.02 - Establishing an Effective Internal Control System

“Management is responsible for designing the policies and procedures to fit an entity’s circumstances and building them in as an integral part of the entity’s operations.”

4. Cooperative Agreement [REDACTED] Attachment A: Schedule A.1 Purpose of Agreement

“The purpose of this Cooperative Agreement is to provide support for the implementation of [REDACTED] as described in Attachment B of this Agreement entitled “Program Description”. The recipient is responsible for ensuring the achievement of the program objectives and using its unique combination of staff, facilities, and experience has the primary responsibility for the efficient and effective administration of the award through the application of sound

(Continued)

[REDACTED]
Section I: Schedule of Findings and Questioned Costs
Cooperative Agreement Number [REDACTED]
For the Period January 1, 2021, through July 31, 2022

organization and management practices. The Recipient will assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of this award.”

Questioned Costs: None.

Effect: [REDACTED] staff may be unaware of the process to select beneficiaries and distribute aid to them. This may lead to ineligible beneficiaries receiving funds, incorrect support amounts or types provided to beneficiaries, or inefficiencies and confusion from [REDACTED] staff.

Cause: [REDACTED] project staff have an ample amount of in-country experience carrying out similar programs and therefore did not find it necessary to document detailed, program specific, policies and procedures. In addition, the agreement did not specifically detail proof of eligibility procedures or documentation requirements.

Recommendation: We recommend that [REDACTED] develop mechanisms to help ensure that program objectives in future awards are properly documented so that policies and procedures can be implemented in a timely manner to help achieve the objectives and maintain compliance with the agreement.

[REDACTED]
Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Cooperative Agreement Number [REDACTED]
For the Period January 1, 2021, through July 31, 2022

Crowe also requested from [REDACTED], SIGAR, and USAID copies of prior audits, reviews, and evaluations pertinent to [REDACTED] activities under the cooperative agreement. Crowe reviewed two prior audit reports that contained three 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. We concluded that neither of the reports contained findings or recommendations that required additional testing or follow up.

Appendix A: Views of Responsible Officials

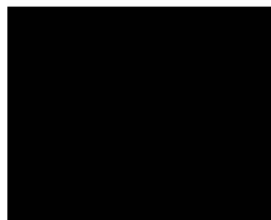
[REDACTED] provided the following response to Crowe via email on May 6, 2024 regarding the findings contained in the audit report. The response has been included herein verbatim and source formatting retained.

Management Response:



Date: May 3, 2024

To: Jonathan Dunn
Crowe LLP



Subject: SIGAR Audit 266 [REDACTED]

Dear Jonathan,

Thank you for sharing the draft audit report. [REDACTED] understands and agrees with the specific facts associated with each finding and provided a remediation plan mentioned below. [REDACTED] disagrees with the classification of findings as material weaknesses and believes that a classification as significant deficiency would be more appropriate. We assert that the significant deficiency classification is more appropriate based on the following factors:

- The presence of compensating controls, as detailed in our responses dated January 29 and February 7, 2024
- Based on the audit findings totaling \$26,511, which is based upon an expanded sample, the misstatement is not material to the overall program with a total program cost of \$ 14.1 million
- [REDACTED] maintains robust automated segregation of duties controls in our [REDACTED] system.
- Material weakness classifications are often issued to ensure that the control deficiencies are raised up to senior leaders. We confirm to you that the control deficiencies described in this report have escalated to the appropriate senior operational and financial leaders to ensure that appropriate remediation plans are implemented in a timely manner. These are the following:
 - Formally disseminate internal control guidelines regarding beneficiary eligibility, selection, and distribution to project level employees.
 - Reinforce internal control guidelines at project start up.
 - Develop and implement a policy on beneficiary documentation including identification of beneficiaries, determination of beneficiary eligibility, distribution and approval process.

[REDACTED]

Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Cooperative Agreement Number [REDACTED]
For the Period January 1, 2021, through July 31, 2022

- Taking into consideration the unique context of Afghanistan, including needs to protect personal identifying information for program participants, [REDACTED] was following the guidance of the USAID mission security office (PLSO) communication dated August 14, 2021, recommending the destruction of participant data.

Thank you for your consideration of the above and we request that the classification of findings be changed to "Significant Deficiency" instead of "Material Weakness". If you have any questions please do not hesitate to contact me at [REDACTED]

Kind regards,

[REDACTED]

Appendix B: Auditor's Rebuttal

FINDING 2022-01: Ineligible and Unsupported Beneficiary Costs

Management agreed with the facts of our finding but disagreed with the classification. As previously stated in the report, Crowe classified these findings as material weaknesses rather than significant deficiencies due to the fact that we were unable to observe the beneficiary selection process through our auditing procedures and were unable to determine the full extent of costs related to program eligibility that should be questioned.

FINDING 2022-02: Unsupported Beneficiary Identification

Management agreed with the facts of our finding but disagreed with the classification. As previously stated in the report, Crowe classified these findings as material weaknesses rather than significant deficiencies due to the fact that we were unable to observe the beneficiary selection process through our auditing procedures and were unable to determine the full extent of costs related to program eligibility that should be questioned.

FINDING 2022-03: Undocumented Beneficiary Selection and Assistance Distribution Processes

Management agreed with the facts of our finding but disagreed with the classification. As previously stated in the report, Crowe classified these findings as material weaknesses rather than significant deficiencies due to the fact that we were unable to observe the beneficiary selection process through our auditing procedures and were unable to determine the full extent of costs related to program eligibility that should be questioned.

Appendix C: Supporting Documentation

Figure 1 – Initial Survey Form

[REDACTED]

[REDACTED]

Province: _____ district: _____ community/villages: _____ date of survey: _____ Initial form – Beneficiary selection

SN	Name	Sex	Father Name	Grandfather name	Community Village	Household size			Reason for selection	Contact number	Remarks
						Male	Female	Total			

Note: [this form](#) is completed by the beneficiary selection committee and then handed over to [REDACTED] to conduct household level assessment to identify and register most vulnerable household meeting project selection requirements

Beneficiary selection criteria:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Verified by: (this form should include thumbnail and stamp)

SN	Stakeholder	Head of the committee		First member of the committee		Second member of the committee		Third member of the committee	
		Name	Signature/stamp	Name	Signature/stamp	Name	Signature/stamp	Name	Signature/stamp

[REDACTED]
Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Cooperative Agreement Number [REDACTED]
For the Period January 1, 2021, through July 31, 2022

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

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- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
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SIGAR's Mission

Public Affairs Officer

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