

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 25-08 Financial Audit

USAID's

[REDACTED]
[REDACTED] : Audit of Costs Incurred
by the [REDACTED]

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



DECEMBER
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On December 9, 2022, the U.S. Agency for International Development (USAID) awarded a \$40,000,000 grant agreement to [REDACTED]

[REDACTED] to provide [REDACTED]. The agreement's purpose was to provide urgent lifesaving needs across Afghanistan through integrated health; nutrition; water, sanitation, and hygiene; protection; shelter; and economic recovery services. The agreement period of performance was from December 19, 2022, to November 30, 2024. USAID modified the agreement twice, which increased the total funding to \$43,000,000, but did not extend the period of performance.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$14,593,275, in costs charged to the agreement from December 19, 2022, through November 30, 2023. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in [REDACTED] internal controls related to the award; (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 Conrad's report for the precise audit objectives.

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

December 2024

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

SIGAR 25-08-FA

WHAT SIGAR FOUND

Conrad identified five significant deficiencies in [REDACTED] internal controls and five instances of noncompliance with the terms of the agreement. Conrad found that [REDACTED] made improvements to office rental properties and charged them to the project. [REDACTED] noted that the costs of improvements were included in the approved budget. However, the budget did not include any specific costs for improvement and [REDACTED] was unable to provide supporting documentation to show they were approved by USAID. Furthermore, Conrad found that [REDACTED] incorrectly applied the monthly shared cost allocation to the program. Specifically, while office space was being used for multiple [REDACTED] programs, [REDACTED] charged 100 percent of costs to this agreement. In addition, [REDACTED] employees took trips not applicable to the program, and Conrad identified seven instances of travel-related expenses that did not adhere to [REDACTED] travel procedures. SIGAR notified [REDACTED] of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$35,633 in total questioned costs. The questioned costs consisted of \$10,444 in unsupported costs—costs not supported with adequate documentation or that do not have required prior approval, and \$ 25,189 in ineligible costs—costs prohibited by the agreement or applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Travel and Transport	\$0	\$8,492	\$8,492
Supplies	\$4,758	\$254	\$5,012
Other Direct Costs	\$16,334	\$0	\$16,334
Indirect Costs	\$4,097	\$1,698	\$5,795
Total Costs	\$25,189	\$10,444	\$35,633

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

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

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, \$35,633 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's five internal control findings.
3. Advise [REDACTED] to address the report's five noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

December 13, 2024

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

Ms. Sonali Korde
Assistant to the Administrator of USAID's
Bureau for Humanitarian Assistance

We contracted with Conrad LLP (Conrad) to audit the costs incurred by the [REDACTED] under an agreement awarded by the U.S. Agency for International Development (USAID) to provide [REDACTED].¹ The agreement's purpose was to provide urgent lifesaving needs across Afghanistan through integrated health; nutrition; water, sanitation, and hygiene; protection; shelter; and economic recovery services. Conrad reviewed \$14,593,275 in costs charged to the agreement from December 19, 2022, through November 30, 2023. Our contract with Conrad required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

1. **Determine the allowability of and recover, as appropriate, \$35,633 in questioned costs identified in the report.**
2. **Advise [REDACTED] to address the report's five internal control findings.**
3. **Advise [REDACTED] to address the report's five noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on [REDACTED] Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated November 5, 2024, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-294)

¹ The agreement no. is [REDACTED].

[REDACTED]

Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development

in support of the [REDACTED]

[REDACTED]

For the Period December 19, 2022, through November 30, 2023

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November 5, 2024

Board of Directors
[REDACTED]

Special Inspector General for Afghanistan Reconstruction (SIGAR)
2530 Crystal Drive
Arlington, VA 22202

Conrad LLP (Conrad or we) hereby provides to you our final report, which reflects results from the procedures we completed during our audit of [REDACTED] Special Purpose Financial Statement under Grant Agreement No. [REDACTED] awarded by the U.S. Agency for International Development's Bureau of Humanitarian Assistance for the period of December 19, 2022, through November 30, 2023, in support of the [REDACTED] in Afghanistan.

On September 24, 2024, we provided SIGAR with a draft report reflecting our audit procedures and results. [REDACTED] received a copy of the report on October 18, 2024 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and [REDACTED] responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

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

Sincerely,

A handwritten signature in blue ink that reads "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA
Partner

[REDACTED]

Financial Audit of the Special Purpose Financial Statements for
Grant Agreement [REDACTED]

[REDACTED] in
Afghanistan

For the Period of December 19, 2022, through November 30, 2023

Background

On December 9, 2022, the U.S. Agency for International Development's Bureau of Humanitarian Assistance (USAID/BHA) awarded an initial \$40,000,000 Grant Agreement [REDACTED] (grant) to [REDACTED] to provide support for the program entitled "[REDACTED] in Afghanistan".

The purpose of this grant is to ensure the achievement of [REDACTED] proposal entitled "[REDACTED] in Afghanistan" whose stated goal is to meet the most urgent lifesaving needs and alleviate the suffering of shock-affected men, women, boys, and girls across Afghanistan in an integrated manner by increasing access, coverage, use and quality of integrated health, nutrition, water, sanitation and hygiene (WASH), protection, shelter and economic recovery and management systems (ERMS) [REDACTED]. This proposal targets seven (7) sectors:

Sector #1: Health

To address the major causes of morbidities and mortalities by providing basic primary health care (PHC) services, procuring, and providing drugs and medical equipment/supplies, and strengthening crisis affected health facilities [REDACTED].

Sector #2: Nutrition

To provide emergency integrated nutrition services to Moderate Acute Malnutrition (MAM) and Severe Acute Malnutrition (SAM) affected clients.

Sector #3: Water, Sanitation, and Hygiene

To provide emergency water, sanitation and hygiene aid to people affected by natural or man-made disasters.

Sector #4: Multipurpose Cash Assistance (MPCA)

To provide lifesaving support to shock-affected populations through emergency MPCA.

Sector #5: Protection

To provide integrated protection services to women, girls, men, and boys at risk.

Sector #6: Economic Recovery and Market Systems (ERMS)

To restore shock-affected families' livelihoods through grants and temporary employment.

Sector #7: Shelter and Settlements

To provide safe and dignified shelters where disaster-affected households can resume critical social and livelihoods activities.

The initial estimated grant amount was \$40,000,000 for the period of performance from December 19, 2022, to November 30, 2024. USAID/BHA made two (2) modifications with no changes to the period of

[REDACTED]

Financial Audit of the Special Purpose Financial Statements for
Grant Agreement [REDACTED]

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For the Period of December 19, 2022, through November 30, 2023

performance and increased the total funding to \$43,000,000. See the *Summary of Grant Agreement* below.

Summary of Grant Agreement

Grant Agreement Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
[REDACTED]	\$40,000,000	12/19/22	11/18/24	2	\$43,000,000	11/18/24

Work Performed

Conrad LLP (Conrad) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of the grant, as mentioned above, of [REDACTED] Special Purpose Financial Statement (SPFS) for revenue received and costs incurred under the Program totaling \$14,593,275 for the period December 19, 2022, through November 30, 2023.

Objectives, Scope, and Methodology

SIGAR Audit Objectives

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

- *Special Purpose Financial Statement* – Express an opinion on whether [REDACTED] SPFS for the grant presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the grant and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of [REDACTED] internal controls related to the grant, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether [REDACTED] complied, in all material respects, with the grant requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the grant and applicable laws and regulations, including potential fraud or abuse that may have occurred.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statements for
Grant Agreement [REDACTED]

[REDACTED] in
Afghanistan

For the Period of December 19, 2022, through November 30, 2023

- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether [REDACTED] has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Scope

The scope of this audit included all costs incurred during the period of December 19, 2022, through November 30, 2023, totaling \$14,593,275, incurred costs under the grant. Our testing of the indirect cost charged to the grant was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (NICRA) and subsequent applicable amendments.

Audit Methodology

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

Entrance Conference

An entrance conference was held on March 7, 2024, with representatives of [REDACTED], Conrad, SIGAR, and USAID/BHA participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of [REDACTED]. The scope of our audit includes [REDACTED] management and employees, internal and external factors that affected operations, accounting policies and procedures. We gained an understanding of [REDACTED] through interviews, observations, and reading policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
 - Grant and modifications;
 - Any regulations that were specific to the grant's requirements, such as The Standards for Internal Control in the Federal Government (GAO-14-704G: Published: September 10, 2014), Foreign Assistance Act of 1961, as amended, 2 CFR 200 Subpart E Cost Principles, 2 CFR 700 Uniform Administrative Requirements, Cost Principles, and Audit

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statements for
Grant Agreement [REDACTED]

[REDACTED] in
Afghanistan

For the Period of December 19, 2022, through November 30, 2023

Requirements for Federal Awards, USAID Automated Directives System (ADS) Chapter 303, Grants and Grant Agreements to Non-Government Organizations;

- Terms of the grant between USAID and [REDACTED];
 - Audited financial statements; and
 - Previous SIGAR and USAID/BHA financial audit reports.
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs were properly recorded.

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

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

Internal Controls Related to the Grant Agreement

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

Compliance with the Grant Agreement Requirements and Applicable Laws and Regulations

We performed tests to determine whether [REDACTED] complied, in all material respects, with the grant requirements, 2 CFR 200, 2 CFR 700, ADS 303, and any other applicable laws and regulations. We also

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statements for
Grant Agreement [REDACTED]

[REDACTED] in
Afghanistan

For the Period of December 19, 2022, through November 30, 2023

identified and reported on instances of material noncompliance with terms of the grant and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from [REDACTED] and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on [REDACTED] SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on [REDACTED] SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 31.

Exit Conference

An exit conference was held on September 6, 2024, via conference call. Participants included representatives from Conrad, [REDACTED], SIGAR, and USAID/BHA. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

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

Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS.

We identified \$35,633 in total questioned costs, which comprised \$25,189 in ineligible costs and \$10,444 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the grant's provisions or applicable laws and regulations, or not related to the grant. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

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

Internal Controls

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statements for
Grant Agreement [REDACTED]

[REDACTED] in
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For the Period of December 19, 2022, through November 30, 2023

Our audit identified five (5) internal control findings. All five (5) internal control findings are considered to be significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 17.

Compliance

The results of our testing identified five (5) instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 19.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. [REDACTED] self-disclosed two instances of alleged fraud that could have a potential impact on the Program and the SPFS. Based on further discussions with [REDACTED] and review of the alleged incidences of fraud, an internal investigation into these allegations was conducted by [REDACTED] and the results found that there was no monetary or material effect to the Program or the SPFS during the period under review. As such, there are no further communications warranting additional consideration.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2024-01	Non-compliance and Internal Control – Significant Deficiency	Unallowable office installations were charged to the program	\$ 19,507	\$ -	\$ 19,507
2024-02	Non-compliance and Internal Control – Significant Deficiency	Shared program costs were not allocated	-	-	_1

¹ See explanation of questioned costs under Finding 2024-02 in the Schedule of Findings and Questioned Costs.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statements for
Grant Agreement [REDACTED]

[REDACTED] in
Afghanistan

For the Period of December 19, 2022, through November 30, 2023

2024-03	Non-compliance and Internal Control – Significant Deficiency	Lack of adherence to travel procedures	-	10,141	29,648
2024-04	Non-compliance and Internal Control – Significant Deficiency	Overcharge due to calculation error	5,682	-	35,330
2024-05	Non-compliance and Internal Control – Significant Deficiency	Unsupported costs charged to the program	-	303	35,633
Total Questioned Costs			\$ 25,189	\$ 10,444	\$ 35,633

Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from [REDACTED], SIGAR, and USAID/BHA pertinent to [REDACTED] activities under the grant. We identified three (3) prior audit reports that contained nine (9) findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. We concluded that [REDACTED] had taken adequate corrective actions on five (5) out of the nine (9) prior audit findings and associated recommendations. Accordingly, [REDACTED] has not taken adequate corrective action to address four (4) findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives. See *Status of Prior Audit Findings* on page 31 for a detailed description of the prior findings and recommendations.

Summary of [REDACTED] Responses to Findings

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statements for
Grant Agreement [REDACTED]

[REDACTED] in
Afghanistan

For the Period of December 19, 2022, through November 30, 2023

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

- (1) **Finding 2024-01:** [REDACTED] disagreed with this finding and noted that the installations directly serve the project's operational needs rather than enhancing the rental property's value.
- (2) **Finding 2024-02:** [REDACTED] agreed with this finding.
- (3) **Finding 2024-03:** [REDACTED] disagreed with this finding and noted that terms of references are not applicable for the instances noted in the finding.
- (4) **Finding 2024-04:** [REDACTED] agreed with this finding.
- (5) **Finding 2024-05:** [REDACTED] disagreed with this finding and noted that there are documentation which details why the services were needed.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
[REDACTED]

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of International Rescue Committee and the related notes to the Special Purpose Financial Statement with respect to the Grant Agreement No. [REDACTED] (grant) awarded by the U.S. Agency for International Development's Bureau of Humanitarian Assistance (USAID/BHA) to support the program entitled [REDACTED] in Afghanistan", for the period of December 19, 2022, to November 30, 2023.

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred, and balances for the indicated period of December 19, 2022, to November 30, 2023, in accordance with the terms of the grant and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR).

Basis for Opinion

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

Basis of Presentation and Accounting

We draw attention to Note 2 and 3 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 2 to the Special Purpose Financial Statement, the statement is prepared by [REDACTED] on the basis of the requirements provided by SIGAR, which is a basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the requirements provided by SIGAR. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial Statement that it is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Audit of the Special Purpose Financial Statement

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 5, 2024 on our consideration of [REDACTED] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the grant, and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

(Continued)

Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering [REDACTED] internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of [REDACTED], the U.S. Agency for International Development's Bureau of Humanitarian Assistance, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to the United States Congress and the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Conrad LLP

Lake Forest, California
November 5, 2024

[REDACTED]

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

For the Period of December 19, 2022, through November 30, 2023

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	Questioned Costs			
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	<u>Notes</u>
Revenues:						
Grant Agreement No. [REDACTED]	\$ 43,000,000	\$ 14,593,275	\$ -	\$ -	\$ -	
Total revenues	<u>43,000,000</u>	<u>14,593,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Personnel	8,179,761	4,738,567	-	-	-	
Fringe Benefits	2,479,470	1,152,393	-	-	-	
Travel and Transport	128,373	406,251	-	8,492	8,492	(A)
Equipment at/above \$5,000	-	-	-	-	-	
Supplies	11,516,822	3,266,886	4,758	254	5,012	(B)
Sub-awards and Contracts	14,987,327	2,280,330	-	-	-	
Construction	83,000	-	-	-	-	
Other Direct Costs	1,669,344	975,715	16,334	-	16,334	(C)
Indirect Costs	<u>3,955,903</u>	<u>1,773,133</u>	<u>4,097</u>	<u>1,698</u>	<u>5,795</u>	(D)
Total Costs incurred	<u>\$ 43,000,000</u>	<u>\$ 14,593,275</u>	<u>\$ 25,189</u>	<u>\$ 10,444</u>	<u>\$ 35,633</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>				

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

[REDACTED]

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

For the Period of December 19, 2022, through November 30, 2023

Notes to Special Purpose Financial Statement¹

(1) Background

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

The United States Agency for International Development's Mission to Afghanistan (USAID/Afghanistan) awarded [REDACTED] the grant in support of these objectives for the [REDACTED] Program. The Total Estimated Amount (TEA) of this grant is \$43,000,000.

USAID issued a Modification of Assistance, Number P002, to Grant Agreement No. [REDACTED], to realign the grant's budget, revise and update Program Description, and update the Standard Provisions to add [REDACTED]. This Special Purpose Finance Statement reflects the budgeted amounts under this Modification of Assistance Number P002.

(2) Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred under Grant Agreement Number [REDACTED] for the [REDACTED] in Afghanistan for the period of December 19, 2022, to November 30, 2023. 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 grant. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(3) Basis of Accounting

Expenditures reported on the Statement have been prepared using the accrual basis of accounts in accordance with U.S. generally accepted accounts principles.

(4) Foreign Currency Conversion Method

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

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

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Notes to Special Purpose Financial Statement¹
(Continued)

(5) Revenue

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.

(6) Costs incurred by Budget Category

The budget categories presented, and associated amounts reflect the budgets presented within the final, USAID-approved grant budgets adopted, including all the modifications for this USAID grant under audit.

(7) Balance

The balance presented in the Statement represents the difference between budget approved and costs incurred such that an amount greater than \$0 would reflect that available budget have exceeded the costs incurred or charged to the grant and an amount less than \$0 would indicate that costs have exceeded the available budget within the approved line-item flexibility.

(8) Currency

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

(9) Program Status

[REDACTED] in Afghanistan is ongoing. The period of performance for the grant under scope up to November 18, 2024.

(10) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the periods of performance and have made adjustments as necessary.

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

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Travel and Transport

[REDACTED] reported a total of \$406,251 for Travel and Transport for the period of December 19, 2022, through November 30, 2023.

During our audit of these costs, we noted seven (7) instances where [REDACTED] was unable to provide documentation showing how the travel costs incurred related to the program under audit. Of the 7 instances, 1 instance the travel request form was not provided, resulting in unsupported costs of \$8,492. See **Finding No. 2024-03** in the *Schedule of Findings and Questioned Costs*.

(B) Supplies

[REDACTED] reported a total of \$3,266,886 for Supplies for the period of December 19, 2022, through November 30, 2023.

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

- One (1) instance where [REDACTED] overcharged the Program due an incorrect application of the share program cost allocation rate, resulting in ineligible costs of \$4,758. See **Finding No. 2024-04** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance of unsupported Supplies Costs charged to the Program, resulting in unsupported costs of \$254. See **Finding No. 2024-05** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned costs of \$5,012.

(C) Other Direct Costs

[REDACTED] reported a total of \$975,715 for Other Direct Costs for the period of December 19, 2022, through November 30, 2023.

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

- Four (4) instances where [REDACTED] charged unallowable office installations on rental properties to the Program, resulting in \$16,334 in ineligible questioned costs. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.

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

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²
(Continued)

- Four (4) instances where [REDACTED] did not allocate shared Program costs, resulting in \$11,838 in ineligible questioned costs. See **Finding No. 2024-02** in the *Schedule of Findings and Questioned Costs* section of this report. **Please note that of this amount \$11,838 was also questioned in Finding 2024-01.** As such, the net amount of \$0 is presented as the questioned costs in the SPFS.

The issues identified above resulted in total ineligible Other Direct Costs of \$16,334. Please see the *Schedule of Findings and Questioned Costs* section of this report.

(D)

[REDACTED]

[REDACTED] reported a total of \$1,773,133 for Indirect Costs for the period of December 19, 2022, through November 30, 2023. The associated indirect costs associated with questioned costs identified in **Notes A through C** above resulted in total questioned Indirect Costs of \$5,795, consisting of \$4,097 in ineligible costs and \$1,698 in unsupported costs.

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

(Continued)



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
[REDACTED]

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

We have audited, the Special Purpose Financial Statement and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by [REDACTED] under Grant Agreement No. [REDACTED] (grant) to support the program entitled "[REDACTED] in Afghanistan", for the period of December 19, 2022, through November 30, 2023. We have issued our report thereon dated November 5, 2024 with an unmodified opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of December 19, 2022, through November 30, 2023, we considered [REDACTED] internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, we do not express an opinion on the effectiveness of [REDACTED] internal control.

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

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

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified five (5) deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Findings 2024-01, 2024-02, 2024-03, 2024-04, and 2024-05 are considered to be significant deficiencies.

Response to Findings

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

Purpose of this Report

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

Restriction on Use

This report is intended for the information of , the U.S. Agency for International Development's Bureau of Humanitarian Assistance, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905, should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Conrad LLP

Lake Forest, California
November 5, 2024

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
[REDACTED]

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

We have audited, the Special Purpose Financial Statement and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by [REDACTED] under Grant Agreement No. [REDACTED] (grant) to support the program entitled [REDACTED] in Afghanistan", for the period of December 19, 2022, through November 30, 2023. We have issued our report thereon dated November 5, 2024 with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether [REDACTED] Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned grant, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed five (5) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2024-01, 2024-02, 2024-03, 2024-04, and 2024-05.

[REDACTED] Response to Findings

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

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 U.S. Agency for International Development's Bureau of Humanitarian Assistance, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Conrad LLP

Lake Forest, California
November 5, 2024

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs

Finding 2024-01: Unallowable office installations were charged to the program

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

Condition: Conrad tested 51 transactions out of 22,678 transactions in the other direct costs category to determine if costs were reasonable, allowable, and allocable.

Based on our testing we noted that there were four (4) instances where office improvement and installations were done to rental properties that potentially increased the value of the rental properties. [REDACTED] incurred costs for the installation of [REDACTED] in Afghanistan. [REDACTED] indicated that these were in the approved budget, however the detailed budget does not clearly list the costs for improvement or installations and did not specify that it was for improvement on the rental properties. Finally, [REDACTED] was not able to provide any other approvals from the funding agency for charging office improvement costs. These instances resulted in total ineligible questioned costs of \$16,334.

Criteria:

2 CFR 200.452, Maintenance and repair costs, states in part,

“Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see § 200.439). These costs are only allowable to the extent not paid through rental or other agreements.”

2 CFR 200.439, Equipment and other capital expenditures, states in part:

“...(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity...”

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity...”

Cause: [REDACTED] misunderstood what was allowable or unallowable. They stated that the installation was allowable under the approved budget and did not request approval from the funding agency for office improvement costs.

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Effect: [REDACTED] lack of adherence to the grant and approval for office improvement on the rental properties from the funding agency resulted in the U.S. government paying for unapproved office improvement costs on rental properties.

Questioned Costs: We identified \$16,334 in ineligible costs and \$3,173 in associated indirect costs, which resulted in \$19,507 in total questioned costs.

Recommendation:

- 1) We recommend that [REDACTED] provide additional evidence to demonstrate that the costs in question were allowable costs or return the questioned costs of \$19,507.
- 2) We recommend that [REDACTED] develop and implement a policy to ensure office improvements on rental properties are only made when they were specifically listed in the approved budget or request approval from the funding agency prior to the implementation of improvements.

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Finding 2024-02: Shared program costs were not allocated

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

Condition: Conrad tested 51 transactions out of 22,678 transactions in the other direct costs category to determine if costs were reasonable, allowable, and allocable.

Based on our testing we noted that there were four (4) instances where office improvement and installations were done to different rental properties totaling \$16,334. The rented properties were used for multiple programs under [REDACTED] and the office improvement costs for each office should have been allocated across different programs. [REDACTED] charged 100% of these costs to the program under audit. Using [REDACTED] monthly allocation study to apply to these installation costs, [REDACTED] should have only charged the program \$4,496. The overcharge of \$11,838 resulted in ineligible questioned costs.

Criteria:

[REDACTED] **Cost Allocation Policy**, states in part:

“4. Policy Application – A. Facilities Pool

The [REDACTED] incurs costs to run offices. Often, these facilities are used by more than one project/award. When this is the case, the [REDACTED] must attribute the Fair Share of the facility’s costs to each of those projects/awards that used the facility.

To accomplish this, the [REDACTED] will collect the full cost of running each facility in a pool called the Facilities Pool (FP). Each facility that is shared by more than one project/award will have its own, distinct pool designated by a [REDACTED] code and its own budget for those costs. During an accounting period, all costs associated with running a facility will be captured in the facility’s [REDACTED]. At the end of each accounting period, the costs in each facility’s pool will be allocated out to projects/awards according to the [REDACTED] captured in the time and effort reporting for that month.”

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

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

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

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

(Continued)

[REDACTED]

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

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

“Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis...”

Cause: [REDACTED] did not have guidance in treating capital expenditures that were shared among different programs. [REDACTED] stated that these were considered capital expenditures and were approved in the budget. Therefore 100% of the costs were charged to the program. In addition, during close-out of the program, it would be easier to dispose these items as capital assets under the instruction of one donor rather than multiple donors.

Effect: [REDACTED] lack of adherence to their allocation procedures resulted in the U.S. government overpaying for rental field offices.

Questioned Costs: We identified \$11,838 in ineligible costs and \$2,299 in associated indirect costs, which resulted in \$14,137 in total questioned costs.

Please note the amount questioned under this finding of \$11,838 and the associated indirect costs of \$2,299 have already been questioned in **Finding 2024-01**. Therefore, in the SPFS presentation, the amount of \$14,137 was not questioned again under this finding. However, if these costs are found to be supported under Finding 2024-01, they would still be questioned and should be refunded under this finding.

Recommendation:

- 1) We recommend that [REDACTED] provide support to demonstrate that the costs incurred were not shared costs or return the questioned costs of \$14,137.
- 2) We recommend that [REDACTED] develop and implement a policy to ensure that [REDACTED] obtained approval from the funding agency to charge 100% on shared costs that are considered to be capital assets.

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Finding 2024-03: Lack of adherence to travel procedures

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

Condition: Conrad tested 49 transactions out of 8,670 transactions in travel and transport cost category to determine if costs were reasonable, allowable, and allocable. During our testing, we noted seven (7) instances where travel-related expenses did not adhere to the travel procedures set in place by [REDACTED] policies.

In all seven (7) instances, [REDACTED] was not able to provide a term of reference form and field visit report to show how the trips taken by the employees were related to the Program. [REDACTED] stated that the requested documentation is not applicable for the trips as they were for either internal meetings or training. [REDACTED] cited the description stated on the travel request form as evidence. However, the description listed on the travel request form was unclear on how the trips were related to the Program, and therefore insufficient to substantiate the purpose of the trips. Of the 7 instances, there was one instance in which the travel request form did not tie to the amount charged to the program. This resulted in questioned costs of \$8,492.

Criteria:

[REDACTED] **Human Resource Manual 2020**, states in part,

"Employee must submit along with the travel authorization form a concise [REDACTED] [REDACTED] stating the purpose and duration of stay for the field visit to be approved by the immediate supervisor and visiting field coordinator or manager in charge" and "Employees must submit a comprehensive field visit report to the immediate supervisor after s/he returns from the field visit and relevant Country Director/Deputy Director Programs/Deputy Director Operations."

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

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...
(g) Be adequately documented..."

Cause: [REDACTED] does not have a policy for travel related to internal meetings or trainings to ensure the purpose of the trip is clearly stated.

Effect: [REDACTED] lack of clear description for the purpose of the trip resulted in the U.S. government potentially being charged for travel costs that are not related to the program.

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Questioned Costs: We identified \$8,492 in unsupported costs and \$1,649 in associated indirect costs, which resulted in \$10,141 in total questioned costs.

Recommendation:

- 1) We recommend that [REDACTED] provide additional evidence to demonstrate that the costs in question were related to the program or return \$10,141 of the costs associated with the travel to USAID/BHA.
- 2) We recommend [REDACTED] develop policies and procedures to ensure proper documentation of the purpose of trips (travel? Maybe is a better word?) and how the travel for internal meetings and trainings relates to the Program.

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Finding 2024-04: Overcharge due to calculation error

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

Condition: Conrad tested 43 transactions out of 5,025 transactions in the supplies cost to determine if costs were reasonable, allowable, and allocable.

During our testing, we noted one instance where [REDACTED] applied the incorrect monthly shared cost allocation percentage to a shared cost totaling \$13,800. [REDACTED] conducts a monthly allocation analysis to determine a shared cost allocation percentage that is applied to all shared costs incurred during the month. The transaction in question occurred in February 2023, and the February 2023 allocation percentage should have been applied to allocate the shared cost to the program under audit. However, [REDACTED] stated that due to the supplier's bank account issue, [REDACTED] did not make the payment until July [REDACTED]. [REDACTED] therefore used the July [REDACTED] allocation percentage to allocate this shared cost, resulting in \$6,022 being charged to the program under audit. Conrad recalculated the allocated amount based on the February 2023 allocation percentage and noted that only \$1,264 should have been charged to the program. The overcharge of \$4,758 resulted in ineligible questioned costs.

Criteria:

[REDACTED] **Cost Allocation Policy**, states in part:

“Step 2: Charging Expenses to a Pool

All costs charged to a pool must be:

- 1. Necessary and reasonable for the provision of the service that the pool is intended to provide.*
- 2. A cost that is applicable to the current period only, and*
- 3. A cost that benefits every project/award to which the expenses will be distributed.*

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

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

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

Cause: [REDACTED] stated that cost was actually incurred in July [REDACTED] despite the request for payment being dated in February [REDACTED] and therefore, allocated using the allocation rate for July [REDACTED].

Effect: [REDACTED] incorrect application of their shared program costs allocation rate resulted in the U.S. government overpaying for money transfer costs.

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Questioned Costs: We identified \$4,758 in ineligible costs and \$924 in associated indirect costs, which resulted in \$5,682 in total questioned costs.

Recommendation:

- 1) We recommend that [REDACTED] provide additional evidence to demonstrate that the costs in question were allocated correctly or return \$5,682 of the costs associated to USAID/BHA.
- 2) We recommend that [REDACTED] implement additional policies and procedures to ensure that shared program costs are being allocated using the correct month's allocation rate.

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Finding 2024-05: Unsupported costs charged to the program

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

Condition: Conrad tested 43 transactions out of 5,025 transactions in supplies cost category, to determine if costs were reasonable, allowable, and allocable.

During our testing, we noted one (1) instance where casual labor (unskilled laborer hired for a short period of time) expenses were charged to the program. No casual labor agreement was in place between [REDACTED] and the four (4) casual labor employees to outline the terms of the work and compensation amounts provided. As such, we were unable to determine if the compensated amount for these casual laborers was correct and if the casual laborers were hired under the program. This resulted in questioned costs of \$254.

Criteria:

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

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

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

(g) Be adequately documented...”

Cause: [REDACTED] stated that a labor agreement is not required for casual labor employees. [REDACTED] did not have a policy requiring labor agreement for casual labor employees.

Effect: [REDACTED] lack of labor agreement for casual labor employees resulted in the U.S. government overpaying for transaction.

Questioned Costs: We identified \$254 in unsupported costs and \$49 in associated indirect costs, which resulted in \$303 in total questioned costs.

Recommendation:

- 1) We recommend that [REDACTED] provide additional evidence to demonstrate that the costs in question were allowable costs to the Program or return \$303 of the costs associated with these transactions to USAID/BHA.

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

- 2) We recommend that [REDACTED] develop and implement policies and procedures to ensure that casual labor employees sign a labor agreement with [REDACTED] that stipulates the terms of the employment and the compensated amount.

(Continued)

[REDACTED]

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

For the Period of December 19, 2022, through November 30, 2023

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from [REDACTED], SIGAR, and USAID pertaining to grant activities under this audit. We identified three (3) prior audit reports which contained nine (9) findings and associated recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, including discussion with [REDACTED] management, and performed testing of similar activities during our audit. We concluded that [REDACTED] had taken adequate corrective action on five (5) findings and the other four (4) findings were not adequately addressed and are repeated under this audit. We have summarized the results of our procedures below:

1. Report: Financial Audit of Costs Incurred Under Grant Agreement No. [REDACTED] Awarded by the U.S., Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance, for the [REDACTED]

Finding 2022-01: Exclusion checks were not performed on employees and cash beneficiaries/recipients

Issue: The audit firm noted that [REDACTED] did not follow the agreement's requirements to check employees and other cash beneficiaries/recipients against Office of Foreign Assets Control ("OFAC") exclusion lists and did not follow [REDACTED].

Status: For the current engagement, Conrad reviewed Personnel Samples, and this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2022-02: Ineligible costs were charged to the program due to lack of adequate management oversight over financial reporting

Issue: The audit firm noted that [REDACTED] charged ineligible costs to the program, which included duplicate transactions, transactions belonging to other programs, late fee penalties, airfare related to a missed flight, incorrect Hawala rates, and work charged but not performed.

Status: For the current Engagement, Conrad reviewed [REDACTED] general ledger and tested transactions in Other Direct Costs. Conrad noted four 4 (instances) in which ineligible costs were charged to the Program. This issue is described in **Finding 2024-01** and **Finding 2024-02**. Conrad concluded that adequate corrective action was not taken with respect to this matter.

Finding 2022-03: Costs were not supported with sufficient documentation to determine allowability

Issue: The audit firm noted that [REDACTED] charged unsupported costs to the program. The unsupported costs included local national fringe benefit transactions and other direct costs transactions related

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Status of Prior Audit Findings (Continued)

to depreciation costs and background check costs for an individual that did not belong to the program.

Status: For the current Engagement, Conrad reviewed [REDACTED] general ledger and tested transactions in Travel and Transportation and Supplies and noted two (2) instances in which unsupported costs were charged to the Program. This issue is described in **Finding 2024-05**. Conrad concluded that adequate corrective action was not taken with respect to this matter.

Finding 2022-04: Lacked allocation methodology

Issue: The audit firm noted that [REDACTED] failed to allocate shared program costs across fringe benefits, travel and transport, and other direct costs.

Status: For the current Engagement, Conrad reviewed [REDACTED] general ledger and tested transactions in Other Direct Costs. Conrad noted four (4) instances in which shared Program Costs were not allocated. This issue is described in **Finding 2024-02**. Conrad concluded that adequate corrective action was not taken with respect to this matter.

Finding 2022-05: Inadequate monitoring over costs incurred by the sub-grantee

Issue: The audit firm noted the [REDACTED] did not sufficiently monitor Sub-grantee costs. In the audit period under review, the audit firm noted the Sub-grantee charged ineligible and unsupported costs to the program.

Status: For the current engagement, Conrad reviewed Sub-awards and Contracts samples, and this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

2. Report: [REDACTED]
[REDACTED] in Afghanistan Award No. [REDACTED] Special Purpose
Financial Statement for the Period June 8, 2021, through November 5, 2022

Finding 2022-01: Ineligible detention costs

Issue: The audit firm noted that [REDACTED] charged the program for "halting charges" related to 12 containers held at the border. The invoice from the vendor described the cost as "trailer detention" for a total of sixty-nine (69) days. Detention charges are not allowable under the award and are ineligible for USAID funding.

Status: For the current engagement, Conrad reviewed Other Direct Costs samples, and this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Status of Prior Audit Findings (Continued)

Finding 2022-02: Unsupported labor costs

Issue: The audit firm noted that [REDACTED] did not provide support to verify that the staff duties were clerical or administrative in nature, or that their position titles were explicitly included in the detailed budget as required by their grant agreement.

Status: For the current engagement, Conrad reviewed Personnel and Fringe Benefits samples, and this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

3. Report: [REDACTED] Financial Audit of Costs Incurred under Grant Agreement No. [REDACTED] Special Purpose Financial Statement For the Period September 29, 2016 through December 31, 2019

Finding 2019-01: Undocumented micro-purchase procurement procedures for equitable distribution

Issue: During the audit firm's assessment of [REDACTED] procurement policy and procedures, auditor noted that [REDACTED] written procurement policy and procedures omit controls to ensure that there is an equitable distribution of micro-purchases amongst qualified suppliers.

Status: For the current engagement, Conrad reviewed Other Direct Costs, Travel and Transport, and Supplies Samples and this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2019-02: Required reporting of budget deviations not completed

Issue: During the audit firm's review of the amounts reported on [REDACTED] Special Purpose Financial Statement, auditor noted deviations from the budgeted amounts in each of the itemized budget line items (see table below for details). Based upon auditor's review of programmatic and financial reports provided by management, auditor noted [REDACTED] did not report the budget deviations to USAID.

Status: For the current engagement, Conrad completed Compliance Testing, and this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

(Continued)

[REDACTED]

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

For the Period of December 19, 2022, through November 30, 2023

[REDACTED] Responses to Audit Findings

Management Response to Findings and Recommendations

Finding 2024-01: Unallowable office installations were charged to the program

[REDACTED] disagrees with the finding. The installation of solar panels and air conditioners does not meet the criteria outlined in 2 CFR 200.452, which defines costs for improvements that "add to the permanent value of the buildings and equipment" or "appreciably prolong their intended life" as capital expenditures. Since these items are owned by [REDACTED], portable, and removable from the rental premises upon lease termination, they do not increase the permanent value of the property itself.

Additionally, as these items are below the federal equipment threshold, they are not classified as capital improvements under 2 CFR 200.439 and, therefore, do not require prior approval. With a value below \$5,000, they are also not subject to prior approval under the equipment category.

Please note, these installations directly serve the project's operational needs rather than enhancing the rental property's value. For example, solar panels will reduce electricity and gas consumption, providing long-term project benefits. Similarly, the masonry work for the generator and garage roof is solely intended to protect [REDACTED] assets essential for the project. These additions do not impact the building's permanent value or rental terms but rather ensure that [REDACTED] owned equipment is safeguarded.

Finding 2024-02: Shared program costs were not allocated

[REDACTED] agrees with the finding and will be correcting the expenses accordingly. [REDACTED] will ensure to adhere with the well-established Cost Allocation Methodology.

Finding 2024-03: Lack of adherence to travel procedures

[REDACTED] disagrees with the finding; these instances are official meetings and visit TORs are not applicable in this case. These meetings are necessary to either support the overall project or effective management of the country office.

[REDACTED] has robust policies and procedures around travel approvals and recording the costs. However, [REDACTED] has taken note of the Auditor's observations to ensure a clear description of Travel Requests in future.

Finding 2024-04: Overcharge due to calculation error

Agreed. [REDACTED] is committed to comply with its 'Cost Allocation Methodology'. It was a one-time incident, and we are escalating it to the staff at right levels to abide by the methodology.

We agree to remove the direct costs of \$4,758 and associated indirect costs during the life of the award.

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

[REDACTED] Responses to Audit Findings (Continued)



Finding 2024-05: Unsupported costs charged to the program

[REDACTED] disagrees with the finding and maintains that these costs were necessary and allocable to the project. As per current practice the contract is not signed for casual labor hired for a very short period. However, we have other documentation (such as approval to hire form - which has the details of why services are needed, attendance and payment confirmation) available. [REDACTED] has taken note of Auditor's comment and will review the HR manual and processes for engaging casual labor for services.

(Continued)

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

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

[REDACTED] disagreed with the questioned costs for Finding 2024-01, Finding 2024-03, and Finding 2024-05; and agreed with the questioned costs for Finding 2024-02 and Finding 2024-04. Auditor's rebuttal to [REDACTED] responses received related to the audit findings identified in this report are presented below:

(1) Finding 2024-01:

[REDACTED] did not agree with the issues identified in Finding No. 2024-01 where unallowable office installations were charged to the program. [REDACTED] stated that the installations referenced in the finding do not qualify as capital improvements per 2 CFR 200.452 and 2 CFR 200.439. In addition, [REDACTED] stated that the installations serve the project's operational needs rather than enhancing the rental property's value and are portable and removable upon termination of the lease.

Auditor's Rebuttal:

[REDACTED] incurred costs for solar panels, air conditioner, garage roofing, and a masonry wall. [REDACTED] did not provide any documentation showing intent to remove the installations upon lease termination. In addition, due to the nature of these expenses, it does not seem reasonable that the installations will be removed and placed on another property. Based on our review, these installations are considered general capital improvements that add value to buildings or equipment and as such would require approval from the funding agency.

As such, our finding and recommendations remained unchanged.

(2) Finding 2024-02:

[REDACTED] acknowledged the issue identified in **Finding No. 2024-02** where shared program costs were not allocated.

Auditor's Rebuttal:

Based on [REDACTED] management response, Conrad concludes that [REDACTED] concurred with the finding. As such, no rebuttal is deemed necessary.

(3) Finding 2024-03:

[REDACTED] did not agree with the issues identified in **Finding No. 2024-03** where travel procedures were not followed. [REDACTED] stated that the instances in question relate to official meetings and that visit terms of references (TORs) are not applicable.

Auditor's Rebuttal:

[REDACTED]

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

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Auditor's Rebuttal to [REDACTED] Responses to Audit Findings (Continued)

[REDACTED] did not maintain sufficient documentation to show how the trips were related to the program under audit. The only documentation [REDACTED] had to show the purpose of the trips was the travel request forms, however, the trip description listed on the travel request forms were not specific enough to substantiate how the trips related to the program. In addition, [REDACTED] did not have a policy and procedures that clearly described what travel documentation is required for official meetings. [REDACTED] did not adhere to travel procedure requirements to document how the trips related to the program.

As such, our finding and recommendations remained unchanged.

(4) Finding 2024-04:

[REDACTED] acknowledged the issue identified in **Finding No. 2024-04** where costs were overcharged due to applying an incorrect cost allocation methodology.

Auditor's Rebuttal:

Based on [REDACTED] management response, Conrad concludes that [REDACTED] concurred with the finding. As such, no rebuttal is deemed necessary.

(5) Finding 2024-05:

[REDACTED] did not agree with the issues identified in Finding No. 2024-05 where casual labor costs were unsupported. [REDACTED] stated that contracts are not required for short term casual labor employees and that other documentation such as approval to hire forms contains details as to why services are needed.

Auditor's Rebuttal:

[REDACTED] hired employees on a short-term basis to perform tasks for the program under audit. Because there was no casual labor agreements signed with the laborers there is no way to substantiate what tasks each of the laborers performed and whether they were properly compensated.

As such, our finding and recommendations remained unchanged.

(Continued)

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SIGAR's Mission

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