

# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

SIGAR 25-11 Financial Audit

## USAID's Urban Health Initiative: Audit of Costs Incurred by Jhpiego Corporation

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



DECEMBER  
2024

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On October 13, 2020, the U.S. Agency for International Development (USAID) Mission to Afghanistan awarded a cooperative agreement to Jhpiego Corporation (Jhpiego) in support of its Urban Health Initiative (UHI). The program is intended to improve health outcomes in five urban areas of Afghanistan. The cooperative agreement provides health services related to reproductive, maternal, newborn, and child health; family planning; immunizations; nutrition; and tuberculosis control. The cooperative agreement was for \$104,000,000, with a performance period of October 14, 2020, to October 13, 2025. USAID modified the cooperative agreement seven times. The modifications did not change the cooperative agreement amount or end date.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$31,700,613 in costs charged to the cooperative agreement, plus \$1,075,914 in cost share, from November 1, 2021, through August 31, 2023. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Jhpiego's internal controls related to the cooperative agreement; (2) identify and report on instances of material noncompliance with the terms of the cooperative agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Jhpiego has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Jhpiego's 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 Urban Health Initiative: Audit of Costs Incurred by Jhpiego Corporation

SIGAR 25-11-FA

### WHAT SIGAR FOUND

Conrad identified three deficiencies in Jhpiego's internal controls and three instances of noncompliance with the terms of the cooperative agreement or the uniform guidance. For example, Conrad identified one instance where Jhpiego charged premium economy airfare without written prior approval from USAID as required by the terms of the cooperative agreement. This resulted in \$2,278 in ineligible costs charged to the cooperative agreement.

Because of the deficiencies in internal controls and instances of noncompliance, Conrad identified a total of \$21,169 in questioned costs, consisting of \$2,278 in ineligible costs—costs prohibited by the agreement and applicable laws and regulations, and \$18,891 in unsupported costs—costs not supported with adequate documentation or did not have the required prior approvals.

Cost Category	Ineligible	Unsupported	Total Questioned Costs
Travel	\$1,947	\$9,727	\$11,674
Other Direct Costs	\$0	\$6,419	\$6,419
Total Costs	\$2,278	\$18,891	\$21,169

Conrad identified one prior audit report relevant to its audit of the Urban Health Initiative cooperative agreement. The report had four findings and accompanying recommendations. Conrad conducted follow-up procedures and concluded that Jhpiego had not taken adequate corrective action on one of the four findings as it was a repeated finding under this audit.

Conrad issued an unmodified opinion on Jhpiego's SPFS, noting 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 and recovery of, as appropriate, the \$21,169 in questioned costs identified in this report.
2. Advise Jhpiego to address the report's three internal control findings.
3. Advise Jhpiego to address the report's three noncompliance findings.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

December 23, 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 Conrad LLP (Conrad) to audit the costs incurred by Jhpiego Corporation (Jhpiego) under a cooperative agreement issued by the U.S. Agency for International Development (USAID) in support of its Urban Health Initiative (UHI).<sup>1</sup> The goal of the UHI is to improve health outcomes in five urban areas of Afghanistan. Conrad reviewed \$31,700,613 in costs charged to the cooperative agreement, plus \$1,075,914 in cost share, from November 1, 2021, through August 31, 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 the responsible agreement officer at USAID:

- 1. Determine the allowability and recovery of, as appropriate, the \$21,169 in questioned costs identified in this report.**
- 2. Advise Jhpiego to address the report's three internal control findings.**
- 3. Advise Jhpiego to address the report's three 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 Jhpiego's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated December 4, 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](mailto: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-290)

<sup>1</sup> The cooperative agreement No.72030620CA00007.

**Jhpiego Corporation**

Cooperative Agreement No. 72030620CA00007  
Awarded by the United States Agency for International Development  
in support of the Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

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December 4, 2024

Board of Directors  
Jhpiego Corporation  
Baltimore, Maryland

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 Jhpiego Corporation's Special Purpose Financial Statement under Cooperative Agreement No. 72030620CA00007 awarded by the United States Agency for International Development in support of the Urban Health Initiative for the period of November 1, 2021, through August 31, 2023.

On October 11, 2024, we provided SIGAR with a draft report reflecting our audit procedures and results. Jhpiego Corporation received a copy of the report on November 5, 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 Jhpiego Corporation's 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 Cooperative Agreement.

Sincerely,

A handwritten signature in blue ink that reads "S Perera". The signature is written in a cursive style with a horizontal line underneath the name.

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

## Jhpiego Corporation

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00007 Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

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#### **Background**

On October 13, 2020, the United States Agency for International Development's (USAID) Mission in Afghanistan awarded Cooperative Agreement No. 72030620CA00007 (Cooperative Agreement) to Jhpiego Corporation (Jhpiego) in the amount of \$104,000,000 to provide support for the Urban Health Initiative (UHI or Program). This Cooperative Agreement is effective, and obligation is made as of the start date of the agreement and shall apply to commitments made by the Recipient in furtherance of activity objectives during the period beginning with the effective date October 14, 2020 and ending October 13, 2025.

The purpose of the Cooperative Agreement is to improve health outcomes in five urban areas of Afghanistan: Kabul, Mazar-e-Sharif, Herat, Kandahar, and Jalalabad. UHI services focus on reproductive, maternal, newborn and child health, family planning, immunizations, nutrition, and controlling tuberculosis. Jhpiego's stated outcomes for the UHI Program are as follows:

- Customized, city specific strategies developed that respond to the local burden of disease, priorities, and challenges, with participatory, data-powered, adaptive management and coordination mechanisms instilled for the Ministry of Public Health, Provincial Public Health Offices and municipalities to manage urban health ecosystem services effectively and efficiently.
- Alternative expanded models of care that bring services closer to clients, with creative public private partnerships leveraged to remove barriers for the most vulnerable populations to access primary and secondary services.
- Quality care and health provider performance strengthened, with a technology-based platform that connects tertiaries with lower-level facilities in each city to improve learning, data-driven decision making and clinical outcomes.
- Evidence-based and empathy-driven social and behavior change strategy that improves vulnerable populations' awareness, acceptance and desire for life saving services and behaviors, with strategies that addresses community's on-the-ground realities, perceptions, and needs.

The initial Cooperative Agreement amount was \$104,000,000, for the period of performance from October 14, 2020, through October 13, 2025. There have been seven modifications to the Cooperative Agreement, each was to update the source of funding used by USAID to support the UHI Program, which did not have an impact on the total Cooperative Agreement amount or period of performance. See the *Summary of Cooperative Agreement* below.

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### Summary of Cooperative Agreement

Cooperative 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
72030620CA00007	\$104,000,000	10/14/20	10/13/25	7	\$104,000,000	10/13/25

### 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 Cooperative Agreement, as mentioned above, of Jhpiego's Special Purpose Financial Statement (SPFS) for revenue received and costs incurred under the Program totaling \$31,700,613 including \$1,075,914 cost share for the period November 1, 2021, through August 31, 2023.

### Objectives, Scope, and Methodology

#### Audit Objectives

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

- *Special Purpose Financial Statement* – Express an opinion on whether Jhpiego's SPFS for the Cooperative Agreement 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 Cooperative Agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of Jhpiego's internal controls related to the Cooperative Agreement, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether Jhpiego complied, in all material respects, with the Cooperative Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Cooperative Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether Jhpiego has taken adequate corrective action to address findings and recommendations from

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# Jhpiego Corporation

## Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00007 Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

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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 November 1, 2021, through August 31, 2023, totaling \$31,700,613 under the Cooperative Agreement. Our testing of the indirect cost charged to the Cooperative Agreement was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (NICRA) and subsequent applicable amendments.

### **Audit Methodology**

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

#### **Entrance Conference**

An entrance conference was held on March 11, 2024, with representatives of Jhpiego, Conrad, SIGAR, and USAID 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 Jhpiego. The scope of our audit includes Jhpiego's management and employees, internal and external factors that affected operations, accounting policies and procedures. We gained an understanding of Jhpiego 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:
  - Cooperative Agreement and modifications;
  - Any regulations that were specific to the agreement'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 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 700, USAID Uniformed Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, USAID Automated Directives (ADS) Chapter 303;
  - Terms of the Cooperative Agreement between USAID and Jhpiego;
  - Jhpiego's policies and procedures;

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## Jhpiego Corporation

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00007 Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

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- Audited financial statements; and
- Previous SIGAR and USAID 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 Cooperative Agreement, and the applicable general ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Cooperative Agreement;
- 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 Cooperative Agreement

We reviewed Jhpiego's internal controls related to the Cooperative Agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of Jhpiego's 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 Cooperative Agreement Requirements and Applicable Laws and Regulations

We performed tests to determine whether Jhpiego complied, in all material respects, with the Cooperative Agreement requirements, 2 CFR 200, 2 CFR 700, ADS 303, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with the terms of the Cooperative Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.

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## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

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### Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from Jhpiego and SIGAR and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on Jhpiego's SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR ([www.sigar.mil](http://www.sigar.mil)), USAID ([www.usaid.gov](http://www.usaid.gov)), and other applicable Federal agencies, to identify previous engagements that could have a material effect on Jhpiego's 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 27.

### Exit Conference

An exit conference was held on September 30, 2024, via conference call. Participants included representatives from Conrad, Jhpiego, SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

### **Summary of Results**

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

### Auditor's Opinion on the SPFS

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

We identified \$21,169 in total questioned costs, which comprised \$2,278 in ineligible costs and \$18,891 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Cooperative Agreement's provisions or applicable laws and regulations, or not related to the Cooperative Agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

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

### Internal Controls

Our audit identified three (3) internal control findings. Three (3) internal control findings are considered to be significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 16.

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**Jhpiego Corporation**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

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**Compliance**

The results of our testing identified three (3) instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 18.

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*. Jhpiego did not have any self-disclosed instances of alleged fraud. As such, there are no further communications warranting additional consideration.

<b>Finding Number</b>	<b>Nature of Finding</b>	<b>Matter</b>	<b>Ineligible Costs</b>	<b>Unsupported Costs</b>	<b>Cumulative Questioned Cost</b>
2024-01	Non-compliance and Internal Control – Significant Deficiency	Missing procurement documentation.	\$ -	\$ 18,891	\$ 18,891
2024-02	Non-compliance and Internal Control – Significant Deficiency	Missing documentation to support the cost being fully allocable to the program.	-	-	_1
2024-03	Non-compliance and Internal Control – Significant Deficiency	Premium economy class flights were charged to the program.	2,278	-	21,169
<b>Total Questioned Costs</b>			<b>\$ 2,278</b>	<b>\$ 18,891</b>	<b>\$ 21,169</b>

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

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## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

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### Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from Jhpiego, SIGAR, and USAID pertinent to Jhpiego's activities under the Cooperative Agreement. We identified one (1) prior audit report that contained four (4) 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 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 Jhpiego had taken adequate corrective actions on three (3) out of the four (4) prior audit findings and associated recommendations. Accordingly, Jhpiego has not taken adequate corrective action to address one (1) finding and recommendation 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 27 for a detailed description of the prior findings and recommendations.

### Summary of Jhpiego's Responses to Findings

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

- (1) **Finding 2024-01:** Jhpiego disagreed with the finding and noted that the prices paid for the vehicle insurance, business travel accident insurance, and taxi services were reasonable.
- (2) **Finding 2024-02:** Jhpiego disagreed with the finding and noted that Jhpiego's vehicles were only utilized on the UHI program.
- (3) **Finding 2024-03:** Jhpiego agreed with this finding.

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors  
Jhpiego Corporation  
Baltimore, Maryland

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 Jhpiego Corporation and the related notes to the Special Purpose Financial Statement, with respect to the Cooperative Agreement No. 72030620CA00007 (Cooperative Agreement) awarded by the United States Agency for International Development (USAID) to support the Urban Health Initiative (UHI or Program), for the period of November 1, 2021, through August 31, 2023.

In our unqualified 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 November 1, 2021, through August 31, 2023, in accordance with the terms of the Cooperative Agreement 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 Jhpiego Corporation, 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 1 and 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Special Purpose Financial Statement, the statement is prepared by Jhpiego Corporation on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Special Purpose Financial Statement**

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the requirements provided by 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 Jhpiego Corporation's 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 December 4, 2024 on our consideration of Jhpiego Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Cooperative Agreement, and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of

that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jhpiego's internal control over financial reporting and compliance.

### **Restriction on Use**

This report is intended for the information of Jhpiego Corporation, the United States Agency for International Development's Mission to Afghanistan, 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.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, slightly stylized font.

Lake Forest, California  
December 4, 2024



## Jhpiego Corporation

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00007 Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

#### Special Purpose Financial Statement

				Questioned Costs			
	<u>Budget</u>	<u>Prior Period Actual</u>	<u>Audit Period Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	<u>Notes</u>
Revenues:							
Cooperative Agreement No. 72030620CA00007	\$ 79,486,942	\$ 9,768,848	\$ 31,700,613	\$ -	\$ -	\$ -	
Total revenues	<u>79,486,942</u>	<u>9,768,848</u>	<u>31,700,613</u>	-	-	-	(4)
Costs incurred and Fixed Fee:							
Personnel	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Fringe Benefits	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Travel	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Equipment	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Materials & Supplies	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Contractual Services	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Other Direct Costs	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Indirect Costs	██████████	██████████	██████████	██████████	██████████	██████████	██████████
Total Costs incurred	<u>\$ 104,000,000</u>	<u>\$ 9,768,848</u>	<u>\$ 31,700,613</u>	<u>\$ 2,278</u>	<u>\$ 18,891</u>	<u>\$ 21,169</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				(7)
Cost Share	<u>\$ 5,200,000</u>	<u>-</u>	<u>\$ 1,075,914</u>				(8)

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

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### Notes to Special Purpose Financial Statement<sup>1</sup>

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**(1) Basis of Presentation**

The accompanying Special Purpose Financial Statement (Statement) includes costs incurred under the Urban Health Initiative (UHI or program) Cooperative Agreement No 72030620CA00007 program for the period November 1, 2021, to August 31, 2023. Because the Statement presents only a selected portion of the operations of Jhpiego Corporation, it is not intended to and does not present the financial position, changes in the net assets, or cash flows of Jhpiego Corporation. The information in this Statement is presented in accordance with the requirements specified by SIGAR and is specific to the aforementioned Federal Cooperative Agreement. Therefore, some amounts presented in this Statement may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

**(2) Basis of Accounting**

Expenditures reported on the Statement are reported on cash basis of accounting and presents amounts as presented under the terms of the Agreement. Such expenditures are recognized following the cost principles contained in 2 CFR 200 Subpart E, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Statement revenue corresponds to flow of funds received from USAID.

**(3) Foreign Currency Conversion Method**

For purposes of preparing the Statement, conversions from local currency to United States dollars were not required. Jhpiego maintains the funds in Afghanistan in USD and does not have a local Afghani account. When local currency is needed, the required funds are converted from USD to local currency and the amount is recorded in USD using the actual exchange rate from the bank on the date of the conversion.

**(4) Revenue**

Revenue is recognized on the cash basis which recognizes expenditures at the time cash is paid. Revenues on the Statement represent the total of funds drawn against the letter of credit for this program during the audit period. Jhpiego Corporation is entitled to receive these funds from USAID for allowable, eligible costs incurred under the cooperative agreement during the period of performance. The Total Revenue draw down for the audit period is \$31,700,613.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of Jhpiego.

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

**Notes to Special Purpose Financial Statement<sup>1</sup>**  
**(Continued)**

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**(5) Costs incurred by Budget Category**

The budget categories presented and associated amounts within the approved cooperative agreement budget as it is a component of the Five-year budget plan detailed in the agreement. It encompasses the entire period of performance.

**(6) Compensation Fringe Benefits**

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. The fringe benefits are based on local law, established organizational policy or employer-employee agreements. The rates are reviewed on an annual basis and adjusted as needed.

**(7) Outstanding Fund Balance**

The Outstanding Fund Balance presented on the Statement represents the difference between revenue earned and costs incurred such that an amount greater than \$0 would reflect that on a cash basis, revenues have been earned that exceeded costs incurred or charged to this cooperative agreement and an amount less than \$0 would indicate that cost have been incurred, but have not been paid so on a cash basis not recognized as revenue. The outstanding fund balance as of August 31, 2023, is \$0.

**(8) Cost Share**

Recipient share of expenditures for the period November 1, 2021, to August 31, 2023, are \$1,075,914.

**(9) Activity Status**

The UHI Cooperative Agreement program remains active and currently is in Year Four of program activity.

**(10) Subsequent Events**

Jhpiego Corporation has performed an analysis of the activities and transactions subsequent to the November 1, 2021, to August 31, 2023, period covered by the Statement. Management has performed their analysis through December 4, 2024.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of Jhpiego.

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>

#### (A) Travel

Jhpiego reported a total of \$592,454 for Travel for the period of November 1, 2021, to August 31, 2023.

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

- Three (3) instances where Jhpiego did not provide procurement or sole source justification for rental vehicles and taxi services, resulting in unsupported costs of \$9,727. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where Jhpiego charged premium economy class flights to the program, resulting in ineligible costs of \$1,947. See **Finding No. 2024-03** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned costs of \$11,674.

#### (B) Other Direct Costs

Jhpiego reported a total of \$3,420,818 for Other Direct Costs for the period of November 1, 2021, to August 31, 2023.

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

- Three (3) instances where procurement and price analysis documentation for business travel accident insurance was not provided, resulting in questioned costs of \$2,291. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- Two (2) instances where Jhpiego performed procurement for vehicle insurance in 2017; however, did not re-evaluate or open procurement for re-bids in subsequent years, resulting in unsupported costs of \$4,128. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- Two (2) instances where Jhpiego did not provide documentation to show how the vehicle insurance costs are fully allocable to the program under audit, resulting in questioned costs of \$4,128. See **Finding No. 2024-02** in the *Schedule of Findings and Questioned Costs* section of this report. **Please note that this amount of**

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<sup>2</sup> 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.

**Jhpiego Corporation**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

**Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>  
(Continued)**

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**\$4,128 was also questioned in Finding 2024-01.** As such, the net amount of \$0 is presented as the questioned cost in the SPFS.

The issues identified above resulted in total unsupported other direct costs of \$6,419.

**(C) Indirect Costs**

Jhpiego reported a total of \$3,389,495 for Indirect Costs for the period of November 1, 2021, to August 31, 2023. The associated indirect costs associated with questioned costs identified in **Notes A and B** above resulted in total questioned Indirect Costs of \$3,076,

[REDACTED]

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<sup>2</sup> 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.



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
Jhpiego Corporation  
Baltimore, Maryland

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 (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 Jhpiego Corporation under Cooperative Agreement No. 72030620CA00007 (Cooperative Agreement) in support of the Urban Health Initiative (UHI or Program) for the period of November 1, 2021, to August 31, 2023. We have issued our report thereon dated December 4, 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 November 1, 2021, to August 31, 2023, we considered Jhpiego Corporation's 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 Jhpiego Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Jhpiego Corporation's 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 three (3) deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Findings 2024-01, 2024-02, and 2024-03 are considered to be significant deficiencies.

### **Jhpiego Corporation's Response to Findings**

Jhpiego Corporation's response to the findings identified in our audit is included verbatim at the *Appendix A*. Jhpiego Corporation's 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 Jhpiego Corporation'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 Jhpiego Corporation, the United States Agency for International Development's Mission to Afghanistan, 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.



Lake Forest, California  
December 4, 2024

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors  
Jhpiego Corporation  
Baltimore, Maryland

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 (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 Jhpiego Corporation under Cooperative Agreement No. 72030620CA00007 (Cooperative Agreement) in support of the Urban Health Initiative (UHI or Program), for the period of November 1, 2021, to August 31, 2023. We have issued our report thereon dated December 4, 2024 with an unmodified opinion.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jhpiego Corporation's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Cooperative Agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three (3) 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, and 2024-03.

### Jhpiego Corporation's Response to Findings

Jhpiego Corporation's response to the findings identified in our audit is included verbatim at the *Appendix A*. Jhpiego Corporation's 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 Jhpiego Corporation, the United States Agency for International Development's Mission to Afghanistan, 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  
December 4, 2024

(Continued)

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### Schedule of Findings and Questioned Costs

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#### **Finding 2024-01: Missing procurement documentation**

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

**Condition:** Conrad tested 60 transactions out of 7,005 transactions in the travel category and 43 transactions out of 14,267 transactions in the other direct costs category to determine if costs were reasonable, allowable, and allocable. Based on our testing, we noted that Jhpiego did not correctly follow procurement procedures. We noted the following during our testing:

- Two (2) transactions under other direct costs where Jhpiego incurred costs for vehicle insurance on January 13, 2022. The procurement documentation provided for the vehicle insurance was dated January 4, 2017. The procurement documentation also stated that the duration of the procurement is for one year. There was no evidence provided to demonstrate that the vendor was re-evaluated or evidence of open procurements for re-bid in the subsequent years to determine if the vendor was still the most competitive. This resulted in questioned costs of \$4,128.
- Three (3) instances in other direct costs where the procurement and price analysis documentation for business travel accident (BTA) insurance was not provided. This resulted in questioned costs of \$2,291.
- Three (3) instances in travel testing where procurement documentation or sole source justification was not provided for rental vehicle/taxi services. Jhpiego stated that trusted taxis in the area have been identified and used as needed for security reasons. However, no evidence or other price analysis was provided to show how the costs are reasonable. This resulted in questioned costs of \$9,727.

These instances resulted in total questioned costs of \$16,146.

#### **Criteria:**

**Jhpiego's Procurement Manual**, states in part:

*"Preferred Vendor Status Review (Renewal Process)  
To preserve the integrity of Jhpiego procurement practices, the status of all preferred vendors will be reviewed every three years, at minimum. To renew a preferred vendor status, offices are required to follow the process dictated in the thresholds outlined for the solicitation process."*

**Jhpiego's Policy Manual V3.1, Section 1001: Procurement Standards**, states in part:

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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*“Jhpiego is obligated to follow the procurement standards required by the award agreement, as well as Jhpiego and Johns Hopkins University (JHU) internal policies. Whenever there is a question about the provisions of an award, always refer first to the award document to find the answer.”*

**Jhpiego’s Procurement Manual**, states in part:

*“Single/Sole-Source  
When Is It Allowable?”*

*Single/sole-source procurements are competitive procurements for which Jhpiego receives only one viable vendor response...*

*...How to Proceed*

*If any of the above cases apply, then the procurement process is accomplished by soliciting and negotiating with only one source, a so-called sole source, thus limiting full and open competition. In such cases, a sole-source justification must be completed explaining what steps were performed to locate responsible bidders. The BVS should be completed with appropriate explanation of why the vendor/supplier was selected via sole source”*

**2 CFR 200.319, Competition**, states in part:

*“(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements...”*

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

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

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

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

**Cause:** Jhpiego did not follow its procurement policy due to lack of adequate management oversight. Jhpiego did not re-evaluate the procurement documentation for the vehicle insurance in Afghanistan since the procurement was done in 2017. Procurement for business travel accident insurance is done through Jhpiego’s affiliate risk management unit, which did not maintain documentation of the procurement process. Jhpiego identified one (1) taxi vendor in each region

(Continued)

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### **Schedule of Findings and Questioned Costs (Continued)**

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in Afghanistan that was safe for women, because roadside taxis are not always readily available. Jhpiego negotiated a rate with the identified vendor but did not perform procurement procedures to determine reasonableness of the negotiated rate for the taxi service as they were not used on an exclusive basis.

**Effect:** Jhpiego's lack of adherence to their procurement policies and procedures, and Federal regulation requirements resulted in the U.S. government potentially overpaying for costs incurred under the UHI program.

**Questioned Costs:** We identified [REDACTED]  
[REDACTED] \$18,891 in total questioned costs.

**Recommendation:**

- 1) We recommend that Jhpiego provide additional evidence to demonstrate that the costs in question were properly procured or return \$18,891 of costs to USAID.
- 2) We recommend that Jhpiego develop and implement a policy to ensure additional management oversight is performed to ensure that all required procurement requirements are properly followed.

(Continued)

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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**Finding 2024-02: Missing documentation to support the cost being fully allocable to the program**

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

**Condition:** Conrad tested 43 transactions out of 14,267 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 two (2) instances where Jhpiego incurred costs for vehicle insurance for vehicles they owned in Afghanistan. Jhpiego allocated the full vehicle insurance cost to the UHI program under audit despite having two other donor funded programs operating concurrently in Afghanistan during our audit period. Jhpiego stated that the two other programs do not utilize Jhpiego vehicles as one of the programs was outsourced to Jhpiego's subcontractor and the other program did not include travel where Jhpiego vehicles were used. Jhpiego did not provide documentation to substantiate the claims that their vehicles were used solely on the UHI program or how the vehicle insurance is fully allocable to UHI when it can potential benefit other programs operated concurrently in Afghanistan.

These instances resulted in total questioned costs of \$4,128.

**Criteria:**

**2 CFR 200.405, Allocable Costs**, states in part:

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

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

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

**Cause:** Jhpiego lacked a policy that required documenting and maintaining clear evidence to demonstrate why costs that can potentially benefit more than one program are only allocable to one program.

**Effect:** U.S. government might have overpaid for vehicle insurance.

(Continued)

**Jhpiego Corporation**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

**Schedule of Findings and Questioned Costs (Continued)**

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**Questioned Costs:** We identified \$ [REDACTED]  
[REDACTED] \$4,830 in total questioned costs.

[REDACTED] Therefore, in the SPFS presentation, the amount of \$4,830 was not questioned again under this finding. Even if these costs are supported under Finding 2024-01, they are nonetheless questioned under this finding, and the costs should be refunded.

**Recommendation:**

- (1) We recommend that Jhpiego provide evidence to show that the costs incurred were allocable to this program only or return the questioned costs of \$4,830.
- (2) We recommend that Jhpiego develop and implement a policy to ensure clear evidence is maintained to demonstrate costs that potentially are attributable to multiple programs are instead assigned to just one program.

(Continued)

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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#### **Finding 2024-03: Premium economy class flights were charged to the program**

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

**Condition:** Conrad tested 60 transactions out of 7,006 transactions in the travel category to determine if costs were reasonable, allowable, and allocable.

Based on our testing, we noted one (1) instance where Jhpiego charged premium economy class flights to the program without written prior approval from the funding agency. Jhpiego stated that the premium economy flight was booked for the employee because the extra space was required to comfortably work on the flight. The premium economy class ticket was \$3,794 and Jhpiego was able to provide documentation of the economy fare at the time of the flight which was \$1,847.

This instance resulted in total questioned costs of \$1,947.

**Criteria:**

**Cooperative Agreement No. 72030620CA00007**, states in part:

*“M17. Travel and International Air Transportation*

*a. Travel Costs – In the event that the cost for air fare exceeds the customary standard commercial airfare (coach or equivalent) or the lowest commercial discount airfare, the recipient must document one of the allowable exceptions from the applicable cost principles.”*

**Jhpiego Policy Manual V3.1**, states in part:

*“Jhpiego requires that employees who are travelling on official business by air domestically and internationally use economy class airfare. Other classes of service are permitted if either of the following situations apply. Other classes of service include Business class or Premium Economy.*

- 1. If the traveler has a Medical Travel Waiver on file with the Global Human Resources office (GHR)*
- 2. If a journey exceeds 14 hours, including non-overnight layovers, other classes of service are permitted if the following conditions are met: if allowable by the donor, if program budget is available, it is approved by the budget holder”*

**2 CFR 200.474, Travel**, states in part:

*“e) Commercial air travel*

- (1) Airfare costs in excess of basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations*

(Continued)

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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*would: (i) require circuitous routing; (ii) require travel during unreasonable hours; (iii) excessively prolong travel; (iv) result in additional costs that would offset the transportation savings; or (v) offer accommodations not reasonably adequate for the traveler's medical needs. The non-Federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business class airfare to be allowable in such cases."*

**2 CFR 200.303, Internal Controls** states in part:

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

**Cause:** Jhpiego management did not adhere to its travel policy and permitted its staff to travel on a premium economy flight.

**Effect:** Jhpiego's lack of adherence to the travel requirements stipulated in the Cooperative Agreement and Federal regulations resulted in the U.S. government paying for premium economy class flights.

**Questioned Costs:** [REDACTED]

[REDACTED] \$2,278 in total questioned costs.

**Recommendation:**

- 1) We recommend that Jhpiego return \$2,278 in questioned costs to USAID.
- 2) We recommend that Jhpiego implement policies and procedures to ensure Jhpiego management and employees strictly follow its travel policy on flight requirements.

(Continued)



## Jhpiego Corporation

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00007 Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

#### Status of Prior Audit Findings

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We requested prior audit reports, evaluations, and reviews from Jhpiego, SIGAR, and USAID pertaining to Cooperative Agreement activities under this audit. We identified one (1) prior audit report which contained four (4) 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 Jhpiego's management, and performed testing of similar activities during our audit. We have summarized the results of our procedures below:

1. **Report: Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA00007 Awarded by the United States Agency for International Development's Mission in Afghanistan, in support of the Urban Health Initiative Program for the Period of October 14, 2020, through October 31, 2021.**

**Finding 2022-01:** Incorrect salary allocation due to payroll calculation errors. Jhpiego overcharged Cooperating Country National (CCN) and Third Country National (TCN) Personnel and Fringe Benefits costs to the UHI Program by charging an amount that exceeded the actual cost incurred on the Program for each of the staff listed in the issues below. This resulted in questioned costs of \$6,889.

**Status:** For the current engagement, Conrad reviewed payroll costs, and this issue was not repeated. As such, Conrad concluded that Jhpiego has taken adequate corrective action on this finding.

**Finding 2022-02:** Ineligible costs were charged to the Program. Due to insufficient management oversight, the Country Director and management did not properly perform their primary responsibility to ensure only allowable fringe costs were charged to the Program. This resulted in questioned costs of \$2,569.

**Status:** For the current engagement, Conrad reviewed fringe benefits, and this issue was not repeated. As such, Conrad concluded that Jhpiego has taken adequate corrective action on this finding.

**Finding 2022-03:** Allocation methodology was not used to allocate shared costs among all programs in Afghanistan. Jhpiego did not follow their policy for charging direct costs and as such did not allocate shared costs among programs running simultaneously. Jhpiego did not follow their policy of allocating shared costs on a monthly basis. This resulted in questioned costs of \$1,427.

**Status:** For the current Engagement, Conrad reviewed Jhpiego's travel costs and noted two (2) instances where Jhpiego did not provide documentation to support how the cost is fully allocable to the program under audit. This issue is described in **Finding 2024-02**.

## Jhpiego Corporation

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

### Status of Prior Audit Findings (Continued)

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Conrad concluded that adequate corrective action was not taken with respect to this matter.

**Finding 2022-04:** Unsupported lodging costs were charged to the Program. Jhpiego did not require staff who stayed at a family member's home while traveling to provide a receipt or other proof that lodging costs had been paid to that family member. Jhpiego did not follow its policy requiring original receipts for lodging and has no policy guidance for how to document lodging payments when an employee on travel stays with relatives instead of in a hotel. This resulted in questioned costs of \$752.

**Status:** For the current engagement, Conrad reviewed travel costs, and this issue was not repeated. As such, Conrad concluded that Jhpiego has taken adequate corrective action on this finding.

(Continued)



13 November 2024

**Jhpiego Corporation Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00007 Urban Health Initiative for the Period of November 1, 2021, through August 31, 2023**

**Schedule of Findings and Questioned Costs – Jhpiego Management Response**

**Finding 2024-01: Missing procurement documentation**

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

**Condition:** Conrad tested 60 transactions out of 7,005 transactions in the travel category and 43 transactions out of 14,267 transactions in the other direct costs category to determine if costs were reasonable, allowable, and allocable. Based on our testing, we noted that Jhpiego did not correctly follow procurement procedures. We noted the following during our testing:

- Two (2) transactions under other direct costs where Jhpiego incurred costs for vehicle insurance on January 13, 2022. The procurement documentation provided for the vehicle insurance was dated January 4, 2017. The procurement documentation also stated that the duration of the procurement is for one year. There was no evidence provided to demonstrate that the vendor was re-evaluated or evidence of open procurements for re-bid in the subsequent years to determine if the vendor was still the most competitive. This resulted in questioned costs of \$4,128.
- Three (3) instances in other direct costs where the procurement and price analysis documentation for business travel accident (BTA) insurance was not provided. This resulted in questioned costs of \$2,291.
- Three (3) instances in travel testing where procurement documentation or sole source justification was not provided for rental vehicle/taxi services. Jhpiego stated that trusted taxis in the area have been identified and used as needed for security reasons. However, no evidence or other price analysis was provided to show how the costs are reasonable. This resulted in questioned costs of \$9,727.

These instances resulted in total questioned costs of \$16,146.

**Cause:** Jhpiego did not follow its procurement policy due to lack of adequate management oversight. Jhpiego did not re-evaluate the procurement documentation for the vehicle insurance in Afghanistan since the procurement was done in 2017. Procurement for business travel accident insurance is done through Jhpiego's affiliate risk management unit, which did not maintain documentation of the procurement process. Jhpiego identified one (1) taxi vendor in each region in Afghanistan that was safe for women, because roadside taxis are not always readily available. Jhpiego negotiated a rate with the identified vendor but did not perform procurement procedures to determine reasonableness of the negotiated rate for the taxi service as they were not used on an exclusive basis.

**Effect:** Jhpiego's lack of adherence to their procurement policies and procedures, and Federal regulation requirements resulted in the U.S. government potentially overpaying for costs incurred under the UHI program.

**Questioned Costs:** We identified [REDACTED] \$18,891 in total questioned costs.

**Recommendation:**



1) We recommend that Jhpiego provide additional evidence to demonstrate that the costs in question were properly procured or return \$18,891 of costs to USAID.

2) We recommend that Jhpiego develop and implement a policy to ensure additional management oversight is performed to ensure that all required procurement requirements are properly followed.

### Jhpiego Response:

Jhpiego has procurement policies and procedures in place, and management makes every effort to monitor that these guidelines are adhered to. We acknowledge there may have been some gaps in the instances listed below. We are committed to conducting additional training to prevent these issues from recurring.

#### Vehicle Insurance

Jhpiego uses Clements Insurance (USA) for vehicle insurance in countries where we cannot get adequate coverage locally. In 2017 Jhpiego conducted a competitive procurement and Clements was the only vendor that responded to the RFQ and was able to provide personal coverage for political risks. Since 2017 we have been renewing our cover as we have not identified another vendor providing the same services. Clements also has a good payment record based on claims made.

While Jhpiego did not follow competitive bidding in subsequent years after 2017, we confirm that all Jhpiego vehicles used on this project had the required insurance. We therefore feel that this should not be a questioned cost, but an area noted for improvement. Jhpiego is also willing to bear the cost differential if there is evidence that the cost Jhpiego paid is not reasonable.

Since this issue was raised we have conducted a competitive procurement for this service and now have Clements as our preferred vendor based on our procurement guidelines.

#### Business Travel Accident (BTA) insurance

This service is procured through the Johns Hopkins University risk management unit. This insurance was procured through Marsh USA as the broker and the policy selected was through Chubb. When compared to Hartford, the Chubb policy provided a lot more coverage to our travelers. Additionally, at the time, we were looking for a carrier that could partner with our emergency medical/evacuation provider at that time—ISOS. This policy provided direct coverage for their services and accepted direct billing, which was outlined in the quote proposal. Hartford did not have the capabilities for this.

We acknowledge there are gaps in our documentation process for the selection of this vendor, however, we confirm that this insurance was procured for our staff. We therefore feel that this should not be a questioned cost, but an area noted for improvement. Jhpiego is also willing to bear the cost differential if there is evidence that the cost that Jhpiego paid is not reasonable.

#### Taxi services

In Afghanistan, particularly in Mazar and Kandahar, metered taxis are generally not available. There are roadside taxi vendors available that charge AFN 500/per leg of travel in Mazar and AFN 800/per leg in Kandahar. As roadside taxis are not always available or are not always women-friendly, Jhpiego also identified one taxi vendor in each region that we could call upon as and when needed. This was based on being women-friendly and safe. Jhpiego uses a daily log sheet to track the number of days that these vendors provide services. They are not used on an exclusive basis (as staff also have the option of using roadside taxis if available), and therefore a competitive procurement was not done for this type of service. Jhpiego had a negotiated rate for this of AFN 2000/day. Given the frequent trips that Clinical Specialists must make to various health facilities and the Provincial Health Directorate, as



well as the daily city visits by operations support staff, the total number of trips per day is considerable. The per day cost of AFN 2000 is therefore reasonable compared to having multiple single trips per day.

We, therefore, feel that this should not be a questioned cost as the taxi costs are being paid based on utilization and the costs is less than the market rate.

**Finding 2024-02: Missing documentation to support the cost being fully allocable to the program**

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

**Condition:** Conrad tested 43 transactions out of 14,267 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 two (2) instances where Jhpiego incurred costs for vehicle insurance for vehicles they owned in Afghanistan. Jhpiego allocated the full vehicle insurance cost to the UHI program under audit despite having two other donor funded programs operating concurrently in Afghanistan during our audit period. Jhpiego stated that the two other programs do not utilize Jhpiego vehicles as one of the programs was outsourced to Jhpiego’s subcontractor and the other program did not include travel where Jhpiego vehicles were used. Jhpiego did not provide documentation to substantiate the claims that their vehicles were used solely on the UHI program or how the vehicle insurance is fully allocable to UHI when it can potential benefit other programs operated concurrently in Afghanistan.

These instances resulted in total questioned costs of \$4,128.

**Cause:** Jhpiego lacked a policy that required documenting and maintaining clear evidence to demonstrate why costs that can potentially benefit more than one program are only allocable to one program.

**Effect:** U.S. government might have overpaid for vehicle insurance.

**Questioned Costs:** We identified [REDACTED] \$4,830 in total questioned costs.

[REDACTED] Therefore, in the SPFS presentation, the amount of \$4,830 was not questioned again under this finding. Even if these costs are supported under Finding 2024-01, they are nonetheless questioned under this finding, and the costs should be refunded.

**Recommendation:**

- (1) We recommend that Jhpiego provide evidence to show that the costs incurred were allocable to this program only or return the questioned costs of \$4,830.
- (2) We recommend that Jhpiego develop and implement a policy to ensure clear evidence is maintained to demonstrate costs that potentially are attributable to multiple programs are instead assigned to just one program.

**Jhpiego response:**

Jhpiego had two other projects in Afghanistan but these projects did not utilize Jhpiego vehicles. The USAID RISE-funded project involved the installation of PSA oxygen-generating plants which was outsourced to subcontractors. The University of Sydney research project involved the hiring of staff to provide technical assistance within Kabul and did not include any travel where Jhpiego vehicles were used. We therefore confirm that all Jhpiego vehicles were solely used for the UHI program.

We therefore feel that this should be removed as a questioned cost.



### **Finding 2024-03: Premium economy class flights were charged to the program**

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

**Condition:** Conrad tested 60 transactions out of 7,006 transactions in the travel category to determine if costs were reasonable, allowable, and allocable.

Based on our testing, we noted one (1) instance where Jhpiego charged premium economy class flights to the program without written prior approval from the funding agency. Jhpiego stated that the premium economy flight was booked for the employee because the extra space was required to comfortably work on the flight. The premium economy class ticket was \$3,794 and Jhpiego was able to provide documentation of the economy fare at the time of the flight which was \$1,847. This instance resulted in total questioned costs of \$1,947.

**Cause:** Jhpiego management did not adhere to its travel policy and permitted its staff to travel on a premium economy flight.

**Effect:** Jhpiego's lack of adherence to the travel requirements stipulated in the Cooperative Agreement and Federal regulations resulted in the U.S. government paying for premium economy class flights.

**Questioned Costs:** We identified [REDACTED] \$2,278 in total questioned costs.

#### **Recommendation:**

- 1) We recommend that Jhpiego return \$2,278 in questioned costs to USAID.
- 2) We recommend that Jhpiego implement policies and procedures to ensure Jhpiego management and employees strictly follow its travel policy on flight requirements.

#### **Jhpiego Response:**

Jhpiego acknowledges that the wrong class of travel was used and charged to the project. We will credit the project back for these costs.

Jhpiego does have international travel policies and procedures in place, but in this instance, the policy was not followed. We will conduct additional training for our staff to verify that they are aware of our international policy and procedures, and ensure that these requirements are followed for all international travel services procured.

**Jhpiego Corporation**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021, through August 31, 2023

**Auditor's Rebuttal to Jhpiego's Responses to Audit Findings**

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Jhpiego Corporation (Jhpiego) disagreed with the questioned costs for Finding 2024-01 and Finding 2024-02; and agreed with the questioned costs for Finding 2024-03. Auditor's rebuttal to Jhpiego's responses received related to the audit findings identified in this report are presented below:

**(1) Finding 2024-01:**

Jhpiego did not agree with the issues identified in **Finding No. 2024-01** where procurement documentation was not provided. For instances related to vehicle insurance, Jhpiego stated that procurement was conducted in 2017 and has been renewing coverages as another vendor providing the same service has not been identified. For instances related to business travel accident insurance, Jhpiego explained they selected an insurance provider that could partner with their emergency medical evacuation provider at the time. For instances related to the taxi services, Jhpiego explained that as women-friendly roadside taxis are not always available, Jhpiego identified one taxi vendor in each region that could be called as needed. Jhpiego had a negotiated rate of 2000 AFN per day which is considered to be reasonable compared to having multiple single trips per day.

**Auditor's Rebuttal:**

For all instances identified in **Finding No. 2024-01**, Jhpiego did not document their procedures and rationale for vendor selection. Due to the lack of procurement documentation, we are unable to substantiate whether the prices paid for the vehicle insurance, business travel accident insurance, and taxi services are reasonable.

As such, our finding and recommendations remained unchanged.

**(2) Finding 2024-02:**

Jhpiego did not agree with the issues identified in **Finding No. 2024-02** where support was not provided to show that costs are fully allocable to the program. Jhpiego stated that the vehicle insurance is fully allocable to the program under audit as the two other projects in Afghanistan does not utilize Jhpiego vehicles.

**Auditor's Rebuttal:**

Jhpiego confirmed that there are three programs running in Afghanistan however did not provide documentation to substantiate the statement that vehicles were only used on the UHI program. Because there is no clear audit trail and support showing the Jhpiego vehicles were only utilized on the UHI program the vehicle insurance cost should not have been fully allocated to the program.

As such, our finding and recommendations remained unchanged.

**Jhpiego Corporation**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00007  
Urban Health Initiative

For the Period of November 1, 2021 through August 31, 2023

**Auditor's Rebuttal to Jhpiego's Responses to Audit Findings (Continued)**

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**(3) Finding 2024-03:**

Jhpiego acknowledged the issue identified in Finding No. 2024-03 where premium economy class flights were charged.

**Auditor's Rebuttal:**

Based on Jhpiego's management response, Conrad concludes that Jhpiego concurred with the finding. As such, no rebuttal is deemed necessary.

(Continued)



## 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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- Phone International: +1-866-329-8893
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## SIGAR's Mission

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