

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 23-08 Financial Audit

USAID's Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-Affected Populations Program in Afghanistan: Audit of Costs Incurred by [REDACTED] [REDACTED]

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



DECEMBER
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On June 12, 2020, the U.S. Agency for International Development (USAID) awarded a \$8,250,000 grant agreement to [REDACTED] to support the Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-Affected Populations Program in Afghanistan. Among other program goals, USAID awarded the agreement to support Afghans in drought or conflict-affected areas by providing [REDACTED]. USAID modified the agreement once, which did not change the total award amount or the period of performance. However, USAID issued a no-cost extension of the award that extended the period of performance from September 30, 2021, through December 31, 2021.

SIGAR's financial audit, performed by Conrad LLP (Conrad) reviewed \$8,249,438 in costs charged to the agreement from April 14, 2020, through December 31, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in [REDACTED] internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether [REDACTED] has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of [REDACTED] Special Purpose Financial Statement (SPFS). See 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 Conrad's audit report. SIGAR's 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 2022

USAID's Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-Affected Populations Program in Afghanistan: Audit of Costs Incurred by [REDACTED]

SIGAR 23-08-FA

WHAT SIGAR FOUND

Conrad identified five significant deficiencies in [REDACTED] internal controls and five instances of noncompliance with the terms of the agreement. For example, the auditors found that [REDACTED] did not follow the agreement's requirements to check employees and cash recipients against the Office of Foreign Assets Control exclusion lists, and did not follow [REDACTED] Anti-Terrorism Check policy. After checking the lists, the auditors determined that 10 individuals had a positive name match on the exclusion lists. The auditors also determined that [REDACTED] charged six different types of ineligible costs to the agreement, including duplicate transactions, charges incurred for other programs, late fees, ineligible airfare, charges for work not performed, and incorrect fees for other cash transfers. In addition, the auditors found seven instances where cellphone, internet, and office rent costs were improperly allocated to the program, which resulted in ineligible costs. SIGAR notified [REDACTED] of these deficiencies and compliance issues prior to publication of this report.

Because of the significant deficiencies in internal controls and instances of noncompliance, Conrad identified \$49,383 in total questioned costs, consisting of \$10,815 unsupported costs—costs not supported with adequate documentation or that do not have required prior approval—and \$38,568 ineligible costs—costs prohibited by the agreement's provisions and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Salaries	\$14,827	\$0	\$14,827
Fringe Benefits	\$1,707	\$4,713	\$6,420
Overseas Allowances	\$444	\$0	\$444
Travel and Transport	\$971	\$0	\$971
Program Supplies	\$8,279	\$0	\$8,279
Other Direct Costs	\$6,604	\$948	\$7,552
Contractual	\$559	\$4,261	\$4,820
Indirect Costs	\$5,177	\$893	\$6,070
Total Costs	\$38,568	\$10,815	\$49,383

Conrad identified two prior audit reports that were relevant to the [REDACTED] grant. The reports contained eight 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 of the eight findings. Conrad noted that the three remaining findings were repeated under current 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, \$49,383 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 12, 2022

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

We contracted with Conrad LLP (Conrad) to audit the costs incurred by the by [REDACTED] under a grant agreement from the U.S. Agency for International Development (USAID) to support the Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-Affected Populations Program in Afghanistan.¹ Among other program goals, USAID awarded the agreement to support Afghans in drought or conflict-affected areas by providing [REDACTED]. Conrad reviewed \$8,249,438 in costs charged to the agreement from April 14, 2020, through December 31, 2021. 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 responsible agreement officer at USAID:

1. **Determine the allowability of and recover, as appropriate, \$49,383 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 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 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 July 21, 2022, and the conclusions expressed therein. However, our review disclosed no instances in where 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-228)

¹ The agreement number is [REDACTED]

[REDACTED]

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 Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

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July 21, 2022

Board of Directors
[REDACTED]

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

Conrad LLP (referred to as "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 for costs incurred under Grant Agreement No. [REDACTED], awarded by the U.S. Agency for International Development ("USAID") to support the Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected Populations Program in Afghanistan, for the period of April 14, 2020 through December 31, 2021.

On May 17, 2022, we provided the Special Inspector General for Afghanistan Reconstruction with a draft report reflecting our audit procedures and results. [REDACTED] received a copy of the report on June 17, 2022 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 the Special Inspector General for Afghanistan Reconstruction and [REDACTED]. [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 conduct the audit of this Agreement.

Sincerely,

A handwritten signature in blue ink, appearing to read "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA
Partner

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Background

On June 12, 2020, the U.S. Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance ("USAID/DCHA/OFDA" or "USAID"¹) awarded [REDACTED] ("Agreement") to [REDACTED] to support the Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected Populations Program in Afghanistan (the "Program").

The purpose of the agreement is to meet the emergency needs of shock-affected populations in Afghanistan through interventions in [REDACTED].

The program focused to provide humanitarian assistance in [REDACTED]. To accomplish this goal, the program has outlined six distinct objectives:

1. Improve income and access to productive assets in drought or conflict affected areas through [REDACTED].
2. Sustainably restore livelihoods and promote increased incomes to vulnerable populations.
3. Provide capacity-building on [REDACTED].
4. Save lives, alleviate suffering, and reduce the psychological, economic, and social impact of disasters through [REDACTED].
5. Provide lifesaving [REDACTED].
6. Build the capacity of IDPs, host communities, and conflict-affected non-displaced communities to prevent water and sanitation diseases through [REDACTED].

The initial award amount was \$8,250,000, for the period of performance from April 14, 2020 through September 30, 2021 with a pre-award period from April 14, 2020 through June 12, 2020. The program was modified once which did not have an impact on the total award amount or the period of performance rather it realigned the budget to add an additional sector. On August 31, 2021, the Agreement Officer's Representative ("AOR") issued a letter acknowledging the no-cost extension of the award from September 30, 2021 to December 31, 2021.

¹ In 2020, the Bureau for Humanitarian Assistance was established to streamline USAID's humanitarian responses, bringing together the vast expertise and resources of the former USAID Offices of U.S. Foreign Disaster Assistance (OFDA) and Food for Peace (FFP). In March 2021, USAID's reorganization resulted in DCHA being phased out"

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Work Performed

[REDACTED]

Conrad LLP ("Conrad") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a financial audit of the agreement, as mentioned above, of [REDACTED] Special Purpose Financial Statement ("SPFS") under the Program totaling \$8,249,438 for the period April 14, 2020 through December 31, 2021.

Objectives, Scope, and Methodology

Audit Objectives

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

- *Special Purpose Financial Statement ("SPFS")* – Express an opinion on whether [REDACTED] SPFS for the agreement presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain a sufficient understanding of [REDACTED] internal controls related to the agreement, 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 agreement requirements and applicable laws and regulations, and identify and report on instances of material noncompliance with terms of the 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 [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.

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Scope

The scope of this close-out audit included all costs incurred during the period of April 14, 2020 through December 31, 2021 totaling \$8,249,438 under the agreement. Our testing of the indirect cost 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 October 20, 2021 with representatives of [REDACTED], 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 [REDACTED]. The scope of our audit includes [REDACTED] management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of [REDACTED] through interviews, observations, and reading policies and manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
 - Agreement and modification;
 - Any regulations that are specific to the agreement's requirements, such as 2 CFR 200 Subpart E Cost Principles, 2 CFR 700 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, USAID Automated Directives System ("ADS") Chapter 303, Grants and Cooperative Agreements to Non-Government Organizations;
 - Audited financial statements;
 - Previous SIGAR 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 are properly recorded.

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the 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 agreement;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved provisional and final negotiated indirect cost rates to ensure that they were accurately applied.

Internal Controls Related to the Agreement

We reviewed [REDACTED] internal controls related to the agreement 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, identifying key controls within significant transaction cycles, and testing those key controls.

Compliance with Agreement Requirements and Applicable Laws and Regulations

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

Corrective Action on Prior Findings and Recommendations

We requested from [REDACTED] to identify previous engagements that could have a material effect on [REDACTED] SPFS. In addition, we 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, we 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 40.

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
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For the Period of April 14, 2020 through December 31, 2021

Exit Conference

An exit conference was held on April 28, 2022 via conference call. Participants included representatives from Conrad, [REDACTED], 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's 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 \$49,383 in total questioned costs, which comprised of \$38,568 in ineligible costs and \$10,815 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the agreement's provisions or applicable laws and regulations, or not related to the 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 [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 Control Findings

Our audit identified five internal control findings. All five internal control findings are considered to be significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 20.

Compliance Findings

The results of our testing identified five instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 22.

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 one instance of alleged fraud that could have a potential impact on the Program and the SPFS. Based on correspondence with [REDACTED] stated the internal investigation into this allegation is still ongoing, and due to privacy and confidentiality

 Financial Audit of Costs Incurred Under
 Grant Agreement No.
 Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
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For the Period of April 14, 2020 through December 31, 2021

considerations  cannot share any further information until the investigation is completed.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2022-01	Non-Compliance; Internal Control – Significant Deficiency	Exclusion Checks were not Performed on Employees and Cash Beneficiaries/Recipients	\$2,025	\$0	\$2,025
2022-02	Non-Compliance; Internal Control – Significant Deficiency	Unallowable costs were charged to the Program	\$29,248	\$0	\$31,273
2022-03	Non-Compliance; Internal Control – Significant Deficiency	Costs were not supported with sufficient documentation to determine allowability	\$0	\$493	\$31,766
2022-04	Non-Compliance; Internal Control – Significant Deficiency	Lacked sufficient allocation methodology	\$6,736	\$6,061	\$44,563
2022-05	Non-Compliance; Internal Control – Significant Deficiency	Inadequate monitoring over costs incurred by the sub-grantee	\$559	\$4,261	\$49,383
Total Questioned Costs			\$38,568	\$10,815	\$49,383

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from [REDACTED], SIGAR, and USAID pertinent to [REDACTED] activities under the agreement. We identified two prior audit reports that contained eight 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 the 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 current audit. We concluded that [REDACTED] had taken adequate corrective actions on five of the eight findings and recommendations and did not take adequate corrective action on three findings and recommendations. During the current engagement, we identified similar issues in **Findings 2022-01, 2022-03, and 2022-04**. See *Status of Prior Audit Findings* on page 40 for a detailed description of the prior findings and recommendations.

Summary of [REDACTED] Responses to Audit Findings

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 2022-01:** [REDACTED] disagreed with the identified issue regarding not performing exclusion checks on employees and cash beneficiaries and maintained that they conformed with internal policies and authoritative requirements. [REDACTED] provided the Anti-Terrorism Check (ATC) for the three (3) employees in question.
- (2) **Finding 2022-02:** [REDACTED] concurred with the finding and will credit the ineligible costs identified.
- (3) **Finding 2022-03:** [REDACTED] concurred with the finding and will credit the unsupported costs identified.
- (4) **Finding 2022-04:** [REDACTED] partially agreed with the portion of this finding related to the costs of the employees' R&R trips being allocated 100% to the Program without employees working 100% on the Program, and the costs of the employees' R&R trips being allocated 50% to the Program without evidence to justify the allocation percentage. [REDACTED] agreed with the rest of this finding.
- (5) **Finding 2022-05:** [REDACTED] neither explicitly agreed nor disagreed with this finding. [REDACTED] indicated they have robust partnership management procedures to ensure that sub-grantee's expenses are reviewed properly, and they are currently recruiting an additional staff member who will be responsible for managing the review of sub-grantee's expenses and providing support to sub-grantees for improving compliance with donor guidelines.
- (6) **Prior Finding 2019-04:** [REDACTED] neither explicitly agreed nor disagreed with our conclusion on this prior audit finding. [REDACTED] stated that they have comprehensive policies and procedures to ensure that shared costs are allocated to the projects in relation to the benefits received by each project, and there are robust controls in place to monitor the allocations. [REDACTED] also stated that they are taking measures to strengthen compliance within the organization, such as increasing staffing

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

resources in country and conducting staff orientations/trainings to enhance staff capacity and understanding.



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
2530 Crystal Drive
Arlington, Virginia 22202

Report on the Consolidated Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of [REDACTED] and the related notes to the Special Purpose Financial Statement, with respect to the Grant Agreement No. [REDACTED] ("Agreement") awarded by the U.S. Agency for International Development ("USAID") to support the Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected Populations Program in Afghanistan, for the period of April 14, 2020 through December 31, 2021.

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 April 14, 2020 through December 31, 2021, in accordance with the terms of the agreement and requirements provided by the Office of Special Inspector General of Afghanistan Reconstruction.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

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 the Office of the Special Inspector General of Afghanistan Reconstruction. 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 opinions. 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 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, 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.

Basis of Presentation and Accounting

We draw attention to Note 1 and Note 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 Statement, the Statement is prepared by [REDACTED] 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated July 21, 2022 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 agreement and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, 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 [REDACTED] internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of [REDACTED] the United States Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States Foreign Disaster Assistance, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. 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
July 21, 2022

 Financial Audit of Costs Incurred Under
 Grant Agreement No.
 Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
 Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Special Purpose Financial Statement

				Questioned Costs		
	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	<u>Notes</u>
Revenues:						
720FDA20GR00021	\$ 8,250,000	\$ 8,250,000	\$ -	\$ -	\$ -	(4)
Total revenues	<u>8,250,000</u>	<u>8,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Salaries	2,157,655	2,282,055	14,827	-	14,827	(A)
Fringe Benefits	672,851	596,221	1,707	4,713	6,420	(B)
Non-Employee Labor	193,793	16,061	-	-	-	
Overseas Allowances	62,129	36,951	444	-	444	(C)
Travel and Transport	66,087	102,437	971	-	971	(D)
Program Supplies	1,233,189	1,243,568	8,279	-	8,279	(E)
Other Direct Costs	431,499	551,287	6,604	948	7,552	(F)
Staff Training	119,105	-	-	-	-	
Contractual/Sub-Awards	2,525,000	2,525,000	559	4,261	4,820	(G)
Equipment > \$5,000	110,134	117,457	-	-	-	
Indirect Costs	<u>678,558</u>	<u>778,401</u>	<u>5,177</u>	<u>893</u>	<u>6,070</u>	(H)
Total costs incurred	<u>8,250,000</u>	<u>8,249,438</u>	<u>\$ 38,568</u>	<u>\$ 10,815</u>	<u>\$ 49,383</u>	
Outstanding fund balance	\$ -	\$ 562				(6)

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

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Notes to the Special Purpose Financial Statement²

(1) Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Agreement Number [REDACTED] ("Agreement") for the Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected Populations Program in Afghanistan for the period of April 14, 2020 through December 31, 2021. 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 SIGAR and is specific to the agreement. Therefore, some amounts presented in this Statement may differ from amounts presented in or used in the preparation of the basic financial statements.

(2) Basis of Accounting

Expenditures reported on the Statement have been prepared using the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles.

(3) Foreign Currency Conversion Method

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

(4) Revenues

Revenues on the Statement represent the amount of funds to which [REDACTED] is entitled to receive from USAID for allowable and eligible costs incurred under the agreement during the period of performance.

(5) Costs Incurred by Budget Category

The budget categories presented, and associated amounts reflect the budget presented within the final, USAID-approved agreement, including the modification for this USAID agreement under audit.

² These Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Notes to the Special Purpose Financial Statement²

(6) Outstanding Fund Balance

For the period April 14, 2020 to December 31, 2021, [REDACTED] received \$8,250,000 in payments and incurred costs of \$8,249,438. The outstanding fund balance of \$562 will be returned to USAID.

(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 the available budget has exceeded the costs incurred or charged to the agreement 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 United States dollars.

(9) Program Status

The Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected Populations Program in Afghanistan is now closed. The period of performance for the agreement under scope expired on December 31, 2021.

(10) Subsequent Events

[REDACTED] has performed an analysis of the activities and transactions subsequent to the April 14, 2020 through December 31, 2021 period covered by the Statement. Management has performed their analysis through July 21, 2022.

² These Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement³

(A) Salaries

[REDACTED] reported a total of \$2,282,055 for Salaries for the period of April 14, 2020 through December 31, 2021. During our audit of these costs, we noted instances where duplicate transactions and transactions belonging to other programs were erroneously charged to the Program under audit, which resulted in total ineligible Salaries costs of \$14,827. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.

(B) Fringe Benefits

[REDACTED] reported a total of \$596,221 in Fringe Benefits for the period of April 14, 2020 through December 31, 2021. During our audit of these costs, we noted the following:

- Duplicate transactions and transactions belonging to other programs were erroneously charged to the Program under audit, resulting in ineligible costs of \$1,182. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- Cost incurred lacked sufficient evidence to support fringe benefits costs charged to the Program, resulting in unsupported costs of \$255. See **Finding No. 2022-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- Rest & Relaxation ("R&R") costs were charged 100% to the Program without employees working 100% on the Program, resulting in unsupported costs of \$3,106. See **Finding No. 2022-04** in the *Schedule of Findings and Questioned Costs* section of this report.
- R&R costs were charged at 50% of the employee's costs to the Program without evidence to justify this allocation percentage, which resulting in unsupported costs of \$1,352. See **Finding No. 2022-04** in the *Schedule of Findings and Questioned Costs* section of this report.
- Medical benefits were charged and allocated to the Program without proper allocation support, resulting in ineligible costs of \$525. See **Finding No. 2022-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Fringe Benefit costs of \$6,420, consisting of \$1,707 in ineligible costs and \$4,713 in unsupported costs.

³ These 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 Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement³
(Continued)

(C) Overseas Allowances

[REDACTED] reported a total of \$36,951 for overseas allowances costs for the period of April 14, 2020 through December 31, 2021. During our audit of these costs, we noted instances where duplicate transactions and transactions belonging to other programs were erroneously charged to the Program under audit, which resulted in total ineligible Overseas Allowances costs of \$444. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.

(D) Travel and Transport

[REDACTED] reported a total of \$102,437 for Travel and Transport costs for the period of April 14, 2020 through December 31, 2021. During our audit of these costs, we noted the following:

- Duplicate transactions and transactions belonging to other programs were erroneously charged to the Program under audit, resulting in ineligible costs of \$595. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- Late fee penalties were charged to the Program, resulting in ineligible costs of \$60. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- Cost of a missed flight was charged to the Program, resulting in ineligible costs of \$212. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- Per diem costs were charged based on incorrect shared cost allocation rates, resulting in ineligible costs of \$104. See **Finding No. 2022-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total ineligible costs of \$971 for the Travel and Transport costs.

³ These 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 Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement³
(Continued)

(E) Program Supplies

[REDACTED] reported a total of \$1,243,568 for Program Supplies costs for the period of April 14, 2020 through December 31, 2021. During our audit of these costs, we noted the following:

- [REDACTED] did not conduct OFAC exclusion checks on any of the cash beneficiaries/recipients prior to issuing the cash payments for agriculture inputs, cash for work, multi-purpose cash, and other cash payments as stated in the budget narrative for the Program. Conrad performed exclusion checks on these beneficiaries/recipients and noted multiple individuals with positive matches, resulting in ineligible costs of \$1,749. See **Finding No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- Program supplies transactions belonging to other programs were erroneously charged to the Program under audit, resulting in ineligible costs of \$6,449. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- [REDACTED] charged program supplies costs for work not performed by an independent contractor and cash for work worker/beneficiary, resulting in ineligible costs of \$34. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- [REDACTED] applied incorrect hawala fee rate, resulting in ineligible costs of \$47. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total ineligible costs of \$8,279 for the Program Supplies costs.

(F) Other Direct Costs

[REDACTED] reported a total of \$551,287 for Other Direct Costs for the period of April 14, 2020 through December 31, 2021. During our audit of these costs, we noted the following:

- Duplicate other direct costs transactions were erroneously charged to the Program, resulting in ineligible costs of \$1,350. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.

³ These 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 Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement³
(Continued)

- Late fee penalties were charged to the Program, resulting in ineligible costs of \$65. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs incurred lacked sufficient evidence to support other direct costs charged to the Program, resulting in unsupported costs of \$171. See **Finding No. 2022-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- A fuel tank was charged 100% to the Program, even though the tank was utilized across multiple awards, resulting in unsupported costs of \$777. See **Finding No. 2022-04** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs for prepaid cellphone cards, internet services, and office rent were allocated to the Program without proper allocation support, resulting in ineligible costs of \$5,189. See **Finding No. 2022-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Other Direct costs of \$7,552, consisting of \$6,604 in ineligible costs and \$948 in unsupported costs.

(G) Contractual/Sub-Awards

[REDACTED] reported a total of \$2,525,000 for Contractual/Sub-Awards costs for the period of April 14, 2020 through December 31, 2021. During our audit of these costs, we noted the following:

- The subgrantee did not conduct OFAC exclusion checks on any of the cash beneficiaries/recipients prior to issuing the cash payments for agriculture inputs, cash for work, multi-purpose cash, and other cash payments as stated in the budget narrative for the Program. Conrad performed exclusion checks on these beneficiaries/recipients and noted two individuals with a positive match. This resulted in ineligible costs of \$559. See **Finding No. 2022-05** in the *Schedule of Findings and Questioned Costs* section of this report.
- R&R costs were charged 100% to the Program by the Sub-grantee without employees working 100% on the Program, resulting in unsupported costs of \$3,011. See **Finding No. 2022-05** in the *Schedule of Findings and Questioned Costs* section of this report.

³ These 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 Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement³
(Continued)

- The Sub-grantee did not provide the appropriate employee contract to support the salaries and fringe benefits charged to the Program for one of its employees. This resulted in unsupported costs of \$1,250. See **Finding No. 2022-05** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Contractual/Sub-Awards costs of \$4,820, consisting of \$559 in ineligible costs and \$4,261 in unsupported costs.

(H) Indirect Costs

[REDACTED] reported a total of \$778,401 for indirect costs for the period of April 14, 2020 through December 31, 2021. The indirect costs associated with the questioned costs identified in **Notes A** through **G** above resulted in total ineligible indirect costs of \$5,177 and total unsupported indirect costs of \$893, with total questioned indirect costs of \$6,070.

³ These 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
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 [REDACTED] under Grant Agreement No. [REDACTED] ("Agreement") awarded by the U.S. Agency for International Development ("USAID") to support the Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected Populations Program in Afghanistan, for the period of April 14, 2020 through December 31, 2021. We have issued our report thereon dated July 21, 2022 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 April 14, 2020 through December 31, 2021, 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 opinions 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 [REDACTED] internal control was for the limited purpose described in the preceding paragraph 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.

(Continued)

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 did identify five significant deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs* as items 2022-01, 2022-02, 2022-03, 2022-04, and 2022-05 to be significant deficiencies.

■ Response to Findings

■ response to the findings identified in our audit is included verbatim in *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 United States Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States Foreign Disaster Assistance, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905, should be considered before any information is released to the public. 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
July 21, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
[REDACTED]

To the Office of the Special Inspector General for Afghanistan Reconstruction
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 [REDACTED] under Grant Agreement No. [REDACTED] ("Agreement") awarded by the U.S. Agency for International Development ("USAID") to support the Emergency, Lifesaving, Protection, and Early Recovery Assistance for Shock-affected Populations Program in Afghanistan, for the period April 14, 2020 through December 31, 2021. We have issued our report thereon dated July 21, 2022 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 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 five 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 2022-01, 2022-02, 2022-03, 2022-04, and 2022-05.

[REDACTED] Response to Findings

[REDACTED] response to the findings identified in our audit is included verbatim in *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 United States Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States Foreign Disaster Assistance, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. 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
July 21, 2022

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations in Program Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Schedule of Findings and Questioned Costs

Finding 2022-01: Exclusion Checks were not Performed on Employees and Cash Beneficiaries/Recipients

Nature of Finding: Internal Control – Significant Deficiency and Noncompliance

Condition: During our testing to determine if costs incurred under the agreement were reasonable, adequately supported, accurate and allowable, we 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] Anti-Terrorism Check ("ATC") policy.

- Salaries - Conrad tested 40 personnel files out of a list of 645 local national employees. For three (3) local national employees tested, it was noted that [REDACTED] did not check the employees against OFAC exclusion lists prior to hire, nor did they run an ATC for these employees. Conrad performed OFAC exclusion checks on these employees and did not find any positive matches.
- Program Supplies - Conrad tested 61 program supplies transactions valued at \$426,091 out of a population of 1,636 valued at \$1,243,568. In 21 of the transactions tested, it was noted that [REDACTED] did not check the cash beneficiaries/recipients against OFAC exclusion lists prior to issuing the cash payments for agriculture inputs, cash for work, multi-purpose cash and other cash payments as stated in the budget narrative for the Program. Conrad performed exclusion checks on the beneficiaries/recipients in the transactions noted above. In eight (8) of the 21 transactions, there were 10 individuals with positive name matches on the exclusion lists. This resulted in ineligible questioned costs of \$1,749.

Cash beneficiary name as it appears on [REDACTED] support	Name match on OFAC exclusion list
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Criteria:

Mandatory Provision #12 of the Agreement, Preventing transactions with, or the provision of resources or support to, sanctioned groups and individuals (May 2020), states:

“a. In carrying out activities under this award, except as authorized by a license issued by the Office of Foreign Assets Control (“OFAC”) of the U.S. Department of Treasury, the recipient will not engage in transactions with, or provide resources or support to, any individual or entity that is subject to sanctions administered by OFAC or the United Nations (“UN”), including any individual or entity that is included on the Specially Designated Nationals and Blocked Persons List maintained by OFAC

(<http://www.treasury.gov/resourcecenter/sanctions/SDNList/Pages/default.aspx>)

or on the UN Security Council consolidated list

(<https://www.un.org/securitycouncil/content/un-sccconsolidated-list>).

b. Any violation of the above will be grounds for unilateral termination of the agreement by USAID.

c. The Recipient must include this provision in all subawards, and contracts issued under this award.”

[REDACTED] Afghanistan Standard Operating Procedures, states in part:

“3.31. Anti-Terrorism Check (“ATC”)

Anti-Terrorism Check (ATC) is a must for any employee regardless of the nature of contract or type of work either full time, part time, consultant, casual or daily waged labor. No staff are permitted to be recruited or given contract or job offer unless full ATC check result is received by the respective HR leads...”

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.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

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

(g) Be adequately documented...”

Cause: [REDACTED] did not adhere to its policy to conduct an ATC for employees prior to hire because the hire dates for these three employees were before the effective date of [REDACTED] Anti-Terrorism Check policy. In addition, [REDACTED] did not have a policy in place, nor did [REDACTED] adhere to the agreement requirements to conduct exclusion list checks to ensure that they did not engage in transactions with, or provide resources or support to, any individual or entity that was subject to sanctions administered by OFAC or the UN. [REDACTED]

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Schedule of Findings and Questioned Costs (Continued)

indicated that Sam.gov/OFAC checks of beneficiaries were not required by USAID's Bureau for Human Assistance ("BHA").

Effect: Failure to perform exclusion list checks may have permitted U.S. Government funding to be used in support of terrorism or terrorists.

Questioned Costs: We identified \$1,749 in ineligible costs and \$276 in associated indirect costs, which resulted in \$2,025 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide conclusive evidence to demonstrate the individuals identified were not prohibited from receiving U.S. Government funding or return \$2,025 in ineligible costs.
- (2) We recommend that [REDACTED] develop and implement additional policies and procedures to ensure that exclusion checks were performed on all individuals and organizations who received assistance under the program and to reimburse the U.S. Government for payments made to those individuals or entities that were subject to sanctions administered by OFAC or the UN.

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Schedule of Findings and Questioned Costs (Continued)

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

Nature of Finding: Internal Control – Significant Deficiency and Noncompliance

Condition: During our testing to determine if the costs incurred under the agreement were reasonable, adequately supported, accurate, and allowable, we judgmentally selected the following samples from the categories listed below:

- Salaries
 - A sample of 368 salaries transactions out of 10,349 transactions, representing \$290,247 out of a total \$2,282,055 for these transactions.
- Fringe Benefits
 - A sample of 870 fringe benefits transactions out of 26,527 transactions, representing \$92,502 out of a total \$596,221 for these transactions.
- Travel and Transport
 - A sample of 114 travel and transport transactions out of 4,187 transactions, representing \$30,435 out of a total \$102,437 for these transactions.
- Overseas Allowances
 - A sample of 44 overseas allowances transactions out of 672, representing \$9,552 out of a total \$36,951 for these transactions.
- Program Supplies
 - A sample of 61 program supplies transactions out of 1,636 transactions, representing \$426,091 out of a total \$1,243,568 for these transactions.
- Other Direct Costs
 - A sample of 197 other direct costs transactions out of 9,123 transactions, representing \$153,584 out of a total \$551,287 for these transactions.

Based on our testing, we noted that ineligible costs were charged to the Program. The following table lists the six different types of ineligible costs identified during our audit and the number of tested samples noted under each cost category relating to each type of ineligible cost identified.

Issue #	Nature of Issue	Cost Category	Number of Instances	Ineligible Cost
1	Duplicate transactions were charged to the Program.	Salaries	15	\$ 3,061
		Fringe Benefits	32	288
		Overseas Allowances	3	222
		Travel and Transport	1	125
		Other Direct Costs	3	1,350
		Subtotal		5,046
2	Transactions belonging to other programs were erroneously charged to the Program under audit.	Salaries	15	11,766
		Fringe Benefits	22	894
		Overseas Allowances	3	222

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Issue #	Nature of Issue	Cost Category	Number of Instances	Ineligible Cost
		Travel and Transport	4	470
		Program Supplies	1	6,449
		Subtotal		19,801
3	Late fee penalties were charged to the Program.	Travel and Transport	4	60
		Other Direct Costs	2	65
		Subtotal		125
4	Airfare related to a missed flight was charged to the Program.	Travel and Transport	1	212
5	Program was charged for work not performed by an independent contractor and cash for work beneficiary.	Program Supplies	2	34
6	Incorrect Hawala (relationship based anonymous money transfers using trusted proxies) fee rate was charged to the Program.	Program Supplies	1	47
Total Ineligible Costs				\$ 25,265

Criteria:

[REDACTED] International Programs Finance Manual, states in part:

"Document Review and Verification

... While country directors, project/program managers and other budget holders are responsible for approving the transactions the finance controller is responsible to approve disbursements after ensuring accuracy and correctness of the transaction and compliance with donor regulations.

Expense coding of the voucher should follow the instructions of the project or department manager or the country director. In other words, the person responsible for the budget should indicate the appropriate source and expense code, not the finance staff.

The finance manager should periodically review the accounting entries made and propose adjusting journal entries, as necessary..."

[REDACTED] International Programs Finance Manual, also states in part:

"Internal Controls – Payroll

Payroll is one of the major expenditures in most [REDACTED] programs. Due to the large sums of money involved, it is essential that strong controls are maintained throughout the payroll process...

Care must be taken to ensure the accuracy of payroll records in all aspects but especially with regard to staff salaries and to government rules and regulations..."

[REDACTED] Afghanistan Standard Operating Procedures, states in part:

"2.6. Flight Change (Itinerary) and Missing Flights

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
Emergency Lifesaving, Protection, and Early Recovery Assistance for Shock-affected
Populations Program in Afghanistan

For the Period of April 14, 2020 through December 31, 2021

Schedule of Findings and Questioned Costs (Continued)

...Requesting flight date change or cancellation must be followed with an appropriate written justification and this must be approved by the staff department immediate supervisor. Staff found reluctant reporting to the airport in time and misses the flight must incur his/her travel cost by him/herself and this include staff member will not be entitled for per diem allowance from the date missed the flight. Staff travelling by domestic flights must report be available 2 hours advance in the airport however, all international travels airport report must be at least 3 hours advance....

7.13. Managing Hawala Contractors at the Field Level

Field Coordinators, Field Manager, Field Supply Chain Finance, and program are to ensure they take the full ownership of Cash Hawala services at their respective field level whenever those services come to use. All the mentioned staff are obliged to fully study the Hawala Contracts and addendums showing all departments' full responsibilities and how to manage the Hawalas..."

2 CFR 200.441, Fines, penalties, damages, and other settlements, states:

"Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local, or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of the Federal awarding agency."

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..."

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.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity...
- (g) Be adequately documented..."

Cause: Due to poor administrative oversight, [REDACTED] finance team did not follow the necessary procedures as outlined in the Finance Manual to review and approve transactions and payments to ensure that unallowable costs, in accordance with Federal requirements, were excluded from the Program and to ensure accuracy and correctness of the transactions charged to the Program in compliance with donor regulations.

[REDACTED]

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Effect: The U.S. Government may have overpaid for services.

Questioned Costs: We identified \$25,265 in ineligible costs and \$3,983 in associated indirect costs, which resulted in \$29,248 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide additional support to demonstrate the ineligible costs were fully included in the Final SF 425 or return the ineligible and associated indirect costs of \$29,248.
- (2) We recommend that [REDACTED] develop and implement policies and procedures to strengthen its controls surrounding the finance team documentation review and verification process, as well as, to provide its staff with training updates to ensure unallowable costs are excluded from the Program when funding requests are sent to USAID.

[REDACTED]

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Finding 2022-03: Costs were not Supported with Sufficient Documentation to Determine Allowability

Nature of Finding: Internal Control – Significant Deficiency and Noncompliance

Condition: During our testing to determine if costs incurred under the agreement were reasonable, adequately supported, accurate, and properly approved, we noted the following:

- 1) Fringe Benefits – Conrad tested 870 fringe benefits transactions out of 26,527 transactions, representing \$92,502 out of a total \$596,221 for these transactions. Of the 870 fringe benefits tested, 327 were related to local national fringe benefits. Based on our testing, we noted 27 instances of local national fringe benefits where [REDACTED] did not provide any supporting document to substantiate what type of fringe benefits costs were charged to the Program, and if the fringe benefits costs were allowed per its policy and/or the Program requirements. This resulted in unsupported questioned costs of \$255.
- 2) Other Direct Costs – Conrad tested 197 other direct costs transactions out of 9,123 transactions, representing \$153,584 out of a total \$551,287 for these transactions. Based on our testing, we noted the following:
 - a) One (1) instance where [REDACTED] charged costs related to the background check of an individual who was not listed as an employee on the employee list for this Program, nor did [REDACTED] confirm if this individual belonged on the Program
 - b) One (1) instance where [REDACTED] did not provide the depreciation schedule to show how the depreciation costs charged to the Program were calculated. This resulted in unsupported questioned costs of \$171.

Criteria:

[REDACTED] International Programs Finance Manual, states the following:

“Control Activities

...Documentation is perhaps the most critical control activity because it preserves evidence to substantiate a decision, event, transaction, or system. All documentation should be complete, accurate and recorded timely. Documentation should have a clear purpose and be in a usable format that will add to the efficiency and effectiveness of the [REDACTED]. Examples of areas where documentation is important include:

- Decision Making
- Transaction Processing
- Policies and Procedures...

...Record Retention

[REDACTED] is required to keep all original accounting records for a minimum of SEVEN YEARS. This period will be extended if required by specific donors. Documents must be safely stored to prevent

[REDACTED]

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loss or damage. An appropriate filing system and/or storage system for historical records needs to be in place to ensure the required documents can be located when required.

To maintain uniform standards of documentation and record keeping, systematic procedures need to be in place which incorporate standard forms, approval processes and accounting procedures. An up-to-date policy and procedures manual, which clearly specifies these procedures, is essential in maintaining adequate documentation and record keeping...

...Documentation & Record Keeping Standards

It is essential that financial activities and transactions are clearly and appropriately documented and recorded. [REDACTED] is responsible for accounting to donors and management for the use of its funds and other assets. This accountability involves proving that donor funds were utilized as effectively as possible and within the terms of the funding agreement. Program reports and data provide part of this information. However, a major portion of this proof must come from the documents supporting the financial/accounting records...

...Asset File

The country office finance department must maintain a file for each capitalized asset. The file will include copies of:

- Request for purchase approval;
- [REDACTED] approval confirmation;
- Assigned T7 code and assigned asset number
- Invoices supporting the total capitalized cost; or
- Documented assessment value for donations
- Depreciation Schedule..."

[REDACTED] Employment Policies and Procedures Manual, states the following:

"7.1 Overview

The [REDACTED] is committed to providing a competitive and appropriate benefits package to all employees who *qualify*. The [REDACTED] fully intends to provide any benefit required by law.

The benefits package includes:

- Cash Medical Benefit
- Personal Accident/Life Insurance (including permanent disability)
- Child Allowance (for eligible female staff)
- Benevolence (Social Security)
- Natural Death Insurance
- War and Terror insurance in case if a current staff member under regular/limited contract loses his/her life in a terrorist attack
- Staff health support scheme under benevolence (Health Insurance)

[REDACTED]

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The [REDACTED] reserves the right to terminate, suspend or modify benefits and/or withdraw, discontinue, or reduce any or all benefits. Updates regarding changes in benefits will be distributed periodically to all employees.

7.3 Medical Benefit

[REDACTED] Afghanistan provides employees with a cash medical benefit, equivalent to \$55 per month payable in AFN, to assist each employee in coping with personal or family medical and health needs."

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] did not have adequate policies in place to ensure supervisory or management oversight of [REDACTED] documentation and record keeping standards.

Effect: Lack of adequate policies and management controls to retain supporting documentation in order to demonstrate allowability, increases the risk of abusing Federal funds by charging goods and services that might not have been incurred. The U.S. Government may have overpaid for services.

Questioned Costs: We identified \$326 in unsupported costs and \$67 in associated indirect costs, which resulted in \$493 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide additional support to demonstrate the allowability of costs incurred or return \$493 of unsupported costs.
- (2) We recommend that [REDACTED] develop and implement additional policies and procedures surrounding controls over management oversight on record retention to ensure adherence to [REDACTED] documentation and record keeping standards and record retention.

[REDACTED]

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Finding 2022-04: Lacked Allocation Methodology

Nature of Finding: Internal Control – Significant Deficiency and Noncompliance

Condition: During our testing to determine if costs incurred under the agreement were reasonable, adequately supported, accurate, and properly approved, we noted the following:

- 1) Fringe Benefits – Conrad tested a sample of 870 fringe benefits transactions out of 26,527 transactions, representing \$92,502 out of a total \$596,221 for these transactions. Based on our testing, we noted the following:
 - a) Three (3) instances where airfares related to the employees' R&R trips were allocated 100% to the Program without employees working 100% on the Program. These employees worked under multiple awards. This resulted in an over allocation of costs to the program in the amount of \$3,106 for the three instances noted.
 - b) Two (2) instances where costs related to the employees' R&R trips, including airfare, PCR test for Covid-19, taxi fares, visa fee, lodging, and per diem were allocated at 50% of the employee's costs to the Program without evidence to justify this allocation percentage. This resulted in unsupported questioned costs of \$1,352 for the two instances noted.
 - c) 24 instances where medical benefits were allocated at varying percentages from 100% to 8% to the Program without support on how the allocation percentages were determined. Conrad did an allocation analysis based on the employees' hours worked for the pay periods selected for testing and determined a lower percentage should have been allocated to the program. This resulted in ineligible questioned costs of \$525.
- 2) Travel and Transport – Conrad tested a sample of 114 travel and transport transactions out of 4,187 transactions, representing \$30,435 out of a total \$102,437 for these transactions. Based on our testing, we noted one (1) instance where a per diem shared cost was charged on an incorrect shared cost allocation rate, which resulted in an overcharge to the Program and ineligible costs of \$104.
- 3) Other Direct Costs – Conrad tested a sample of 197 other direct costs transactions out of 9,123 transactions, representing \$153,584 out of a total \$551,287 for these transactions. Based on our testing, we noted the following:
 - a) One (1) instance where a fuel tank was allocated 100% to the Program, even though the tank was utilized by in-country staff across multiple awards. This resulted in unsupported costs of \$777.

[REDACTED]

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- b) Seven (7) instances where prepaid cellphone cards, internet services, and office rent, were allocated to the Program without proper allocation support, which resulted in an overcharge to the Program and ineligible costs of \$5,189.

Criteria:

[REDACTED] International Programs Finance Manual, states in part:

“Shared Program Costs - should be budgeted and allocated across all grants. If not budgeted, this should be justified, and an explanation should be included regarding how the costs are going to be covered. The allocation of Shared Program Costs should be consistent. If not consistent, an explanation should be included as to why these costs are not allocated consistently. The Shared Program Costs allocation sheet attached for review. If not, why?”

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

“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:

“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 perform adequate management review and oversight to ensure that costs were properly allocated to relevant projects in accordance with its shared cost allocation policy.

Effect: Lack of adequate management review and oversight on the accuracy of shared costs allocations could result in the U.S. Government overpaying for services.

Questioned Costs: We identified \$5,235 in unsupported costs with associated indirect costs of \$826, totaling \$6,061 in unsupported costs. We also identified \$5,818 in ineligible costs with associated indirect costs of \$918, totaling \$6,736 in ineligible costs.

Recommendation:

- (1) We recommend that [REDACTED] provide additional support to demonstrate the ineligible costs were fully included in the Final SF 425 or return the ineligible and associated indirect costs of \$6,736.

[REDACTED]

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- (2) We recommend that [REDACTED] provide additional support to demonstrate the allowability of unsupported costs incurred or return the unsupported and associated indirect costs of \$6,061.
- (3) We recommend that [REDACTED] develop and implement management review controls to ensure shared costs are properly allocated in accordance with its shared costs allocation policy.

[REDACTED]

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

Nature of Finding: Internal Control – Significant Deficiency and Noncompliance

Condition: Conrad judgmentally selected 10 transactions out of a population of 168 transactions, representing \$925,662 out of a total \$2,525,000 under the Contractual/Sub-Awards cost category. For these 10 samples, we selected a subsample of 193 transactions out of 5,131 transactions, representing \$643,065 out of the total \$925,662 for these transactions. During our testing to determine if costs incurred under the agreement for the Contractual/Sub-Awards cost category were reasonable, adequately supported, accurate, and properly approved, we noted the following:

1) Sub-grantee charged ineligible costs to the Program.

- a) In 19 out of 193 transactions tested, the sub-grantee did not conduct OFAC exclusion checks on any of the cash beneficiaries/recipients prior to issuing cash payments for agriculture inputs, cash for work, multi-purpose cash and other cash payments as stated in the budget narrative for the Program. Conrad performed exclusion checks on these beneficiaries/recipients and noted two (2) individuals with a positive name match on the exclusion list. We identified \$501 in ineligible costs, with \$19 in associated hawala fees and \$39 in associated indirect costs applied by the sub-grantee, which resulted in \$559 in total ineligible questioned costs.

Cash beneficiary name as it appears on the sub-grantee's support	Name match on OFAC exclusion list
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

2) Sub-grantee charged unsupported costs to the Program.

- a) In two (2) out of 193 transactions tested, the sub-grantee charged 100% of the R&R cost for employees without working 100% on the Program. These employees worked on multiple projects during the audit period. We identified \$2,800 in unsupported costs and \$211 in associated indirect costs applied by the sub-grantee, which resulted in \$3,011 in total unsupported costs for this issue.
- b) In two (2) out of 193 transactions tested, the sub-grantee did not provide the employee contract to support the salaries and fringe benefits charged to the Program for one of its

[REDACTED]

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employees. We identified \$1,162 in unsupported costs and \$88 in associated indirect costs applied by the sub-grantee, which resulted in \$1,250 in total unsupported costs for this issue.

Criteria:

[REDACTED] states the following:

7.3.1 Financial Terms

...All partners must retain all supporting documentation in their office files and make them available to the [REDACTED], donor, or authorized third parties for further review or auditing purposes for a designated period of time in accordance with [REDACTED] and donor requirements; the partnership agreement must reflect this requirement. Unless the donor requires otherwise, the partner may, at its option, retain electronic copies rather than originals...

7.3.3 Monitoring/Meeting/Reporting and Audit Terms

...The [REDACTED] structured and systematic monitoring of a partnership project is a key risk control measure, an important step to ensure the proper use of funds, and a significant opportunity to improve program outcomes. When managed well, project monitoring can advance capacity-strengthening processes and contribute to the constructive development of the partnership relationship. Monitoring is also required by donor regulations, *regardless of the size or type of partnership agreement...*

Section 4.1.3 of the Sub-grant Agreement signed between [REDACTED] and [REDACTED] states:

"The Sub-grantee shall adhere to the applicable cost principles of the 2 CFR 200 - Subpart E and its determination of reasonable, allocable, and allowable costs. The Sub-grantee's financial report will be analyzed on the basis of incurred expenses in accordance with the terms and conditions of this Sub-grant Agreement and the applicable cost principles."

Mandatory Provision #12 of the Agreement, Preventing transactions with, or the provision of resources or support to, sanctioned groups and individuals (May 2020), states:

"a. In carrying out activities under this award, except as authorized by a license issued by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of Treasury, the recipient will not engage in transactions with, or provide resources or support to, any individual or entity that is subject to sanctions administered by OFAC or the United Nations ("UN"), including any individual or entity that is included on the Specially Designated Nationals and Blocked Persons List maintained by OFAC

(<http://www.treasury.gov/resourcecenter/sanctions/SDNList/Pages/default.aspx>)

or on the UN Security Council consolidated list

(<https://www.un.org/securitycouncil/content/un-scconsolidated-list>).

b. Any violation of the above will be grounds for unilateral termination of the agreement by USAID.

[REDACTED]

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c. The Recipient must include this provision in all subawards, and contracts issued under this award."

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] did not have adequate management oversight and supervisory review to ensure it adequately followed the Company's [REDACTED] system policy to monitor its sub-grantee/partner to ensure that all costs billed by the sub-grantee were reviewed and adequately supported.

Effect: Lack of adequate review to monitor the accuracy of costs incurred by the sub-grantee on the Program resulted in ineligible and unsupported questioned costs charged and the potential for the U.S. Government overpaying for services.

Questioned Costs: We identified \$559 in ineligible costs and \$4,261 in unsupported costs, which resulted in \$4,820 in total questioned costs. [REDACTED] did not apply any indirect costs to the subcontractor's costs incurred.

Recommendation:

- (1) We recommend that [REDACTED] provides additional support to demonstrate the allowability of the costs incurred or return the ineligible costs of \$559.
- (2) We recommend that [REDACTED] provide additional support to demonstrate the accuracy and allowability of unsupported costs incurred or return the unsupported costs of \$4,261.
- (3) We recommend that [REDACTED] develop additional internal controls and management oversight to ensure that the [REDACTED] system policy, and a supervisory review and reconciliation of costs is performed on invoices submitted by the sub-grantee prior to the submission of invoices for reimbursement to USAID.

[REDACTED]

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Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from [REDACTED], SIGAR, and USAID pertaining to agreement activities under this audit. We identified two prior audit reports which contained eight 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 including discussion with [REDACTED] management and performed testing of similar activities during our audit. We determined that [REDACTED] had taken adequate corrective action on five of the findings and recommendations, but three findings and recommendations remained open. During the current engagement, we identified similar issues in **Findings 2022-01, 2022-03, and 2022-04**. We have summarized the results of our procedures below:

1. [REDACTED] – SIGAR 20-08 (Department of State’s Programs for Supporting Livelihoods, Water, Sanitation and Hygiene, and protection for Afghan Returnees, Internally Displaced Persons, and Vulnerable Host Communities in Afghanistan: Audit of Costs Incurred by the [REDACTED]) – An audit of costs for the period of September 29, 2014 through September 28, 2018.

Finding 2019-01: Program supplies expenses overran budget by more than 10% without state approval

Issue: The audit firm noted actual costs reported in the SPFS for the Program Supplies category exceeded the approved budget by \$252,076. The approved budget for Program Supplies is \$442,678, while expenses reported on the SPFS is \$694,754, resulting in \$252,076 excess of the budget. The excess amount exceeds the 10% of the total approved budget of \$1,336,311 or \$133,631 ceiling amount permitted by the Cooperative Agreement.

Status: For the current engagement, Conrad reviewed [REDACTED] SPFS cost categories and the approved budget for the Program. Based on our testing, this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2019-02: Timesheets missing date of certification and/or supervisor approval

Issue: The audit firm noted the following issues with 105 of the 116 timesheets that were selected for testing:

- For 102 timesheets, the date when the time was entered or approved was missing from either the employee and/or the supervisor;
- For two (2) timesheets, supervisor approval was missing; and
- For one (1) timesheet, the employee submitted the timesheet on the 1st day of August prior to the month worked and the supervisor approved the timesheet on the same day.

Status: For the current engagement, Conrad reviewed [REDACTED] payroll and human resource policies and procedures and tested payroll transaction samples for the audit period. Based on our testing,

[REDACTED]

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this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2019-03: Lacked evidence for Exclusion and Anti-terrorist check

Issue: The audit firm noted that [REDACTED] could not provide evidence of the exclusion and/or anti-terrorist check for the 17 of the 107 sampled invoices.

Status: For the current engagement, we received and reviewed [REDACTED] policies and procedures related to exclusion and anti-terrorist check. We noted that [REDACTED] had adequate anti-terrorism check procedures in place for employees and suppliers. However, during our testing, we did identify that [REDACTED] did not conduct the exclusion checks for employees, and also did not conduct the exclusion checks on cash beneficiaries/recipients prior to receiving cash payments as required in the terms of the agreement. See **Finding 2022-01** of this audit report.

Finding 2019-04: Lacked justification to support why certain expenses charged were all allocated to the Cooperative Agreements

Issue: The audit firm noted [REDACTED] could not provide evidence to justify allocating 100% to the Cooperative Agreement, when only part of those costs incurred might be used to achieve the Cooperative Agreement's objectives.

Status: For the current engagement, we received and reviewed [REDACTED] finance manual and noted that [REDACTED] had adequate shared costs allocation policy and procedures in place. However, during our testing, we did identify certain costs charged and allocated 100% to the agreement without adequate allocation methodology. See **Finding 2022-04** of this audit report.

Finding 2019-05: Lacked sufficient evidence to support costs incurred

Issue: The audit firm noted for all the samples tested, [REDACTED] could not provide supporting documentation to substantiate the allowability of the \$1,918 in charges to the Cooperative Agreement.

Status: For the current engagement, we received and reviewed [REDACTED] finance manual and procurement policies. We noted that [REDACTED] had adequate documentation and record keeping policy and procedures in place. However, during our testing, we did identify certain costs that were not supported by sufficient documentation. See **Finding 2022-03** of this audit report.

Finding 2019-07: Contractual expenses were misclassified as Program Supplies expenses

Issue: The audit firm noted for Cooperative Agreement No. [REDACTED] [REDACTED] erroneously classified \$127,409 of its Contractual expenses into the Program Supplies expense

[REDACTED]

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Status of Prior Audit Findings (Continued)

category. This error was identified during the follow up with [REDACTED] relating to the budget over-run finding stated in 2019-01. [REDACTED] stated that the reason for the budget over-run was primarily due to these misclassified Contractual costs.

Status: For the current engagement, Conrad reviewed [REDACTED] transaction listing and tested Program Supplies transaction samples for the audit period. Based on our testing, this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

2. [REDACTED] – SIGAR 21-31 (USAID's Facilitating Afghanistan's Sustainability Through Emergency Response Program: Audit of Costs Incurred by the [REDACTED]) – An audit of costs for the period of September 29, 2016 through December 31, 2019

Finding 2019-01: Undocumented Micro-Purchase Procurement Procedures for Equitable Distribution

Issue: The audit firm noted during the assessment of [REDACTED] procurement policy and procedures, that [REDACTED] written procurement policy omits controls to ensure that there is an equitable distribution of micro-purchases among qualified suppliers. In addition, procedures to ensure the total value of goods and services procured per vendor, in the aggregate, does not exceed the \$2,500 micro-purchase threshold established in [REDACTED] policy were not included in the policy or procedures. [REDACTED] approved 454 micro-purchases made by 217 vendors totaling \$186,391 for the three awards under audit, which is material to the SPFS.

Status: For the current engagement, Conrad received and reviewed [REDACTED] Local Standard Operating Procedures Micro Purchases effective November 1, 2020. We noted procurement procedures for micro-purchases were documented. 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: The audit firm noted deviations from the budgeted amounts in each of the itemized budget line items. Based upon the review of programmatic and financial reports provided by management, we noted [REDACTED] did not report the budget deviations to USAID. The audit firm also inquired of [REDACTED] to ascertain whether the deviations were reported through other means to USAID. No additional support was provided.

Status: For the current engagement, Conrad reviewed the costs incurred and the approved budget for the Program. Based on our testing, this issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

[REDACTED]

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[REDACTED] **Responses to the Audit Findings**

Appendix A: Views of Responsible Officials

[REDACTED] has provided formal responses to the audit findings identified in this report. These responses have been inserted verbatim as presented below:

Management Response to Findings and Recommendations

Finding 2022-01: Exclusion Checks were not Performed on Employees and Cash

██████ disagrees with the finding. We recognize the sensitivities associated with the auditors' comments. We strictly follow our "Economic Sanctions and Anti-Terrorism Compliance Policy" cognizant with the U.S. Office of Foreign Assets Control ("OFAC") and the U.S. Department of State, United Kingdom ("UK") and European Union ("EU") sanctions, prohibitions issued by other individual national governments and international institutions, (collectively, "Sanctions"), as well as related anti-terrorism programs and regulations ("Anti-Terrorism"). ██████ ensures the screening of all parties including contractors, employee, vendor, partner, incentive worker, or other third party before a business or financial relationship is established with that party. In the implementation of SIGAR funded interventions in Afghanistan, ██████ followed the USAID addendum (November 2020) made in "Standard Provisions for Non-U.S. Nongovernmental Organizations" which clearly exempt awards/payments less than \$25,000 to obtain and maintain SAM registration.

The implementation of the interventions was also cognizant with the "Mission Order 201.06 Appendix A-Vetting Procedures" vetting do not apply to USAID awarded contracts, prime contractor-awarded sub-contracts or any instrument acting as the same in less of \$25,000. The vetting procedures do not apply to ultimate beneficiaries* of cash or in-kind assistance, such as food, water, medical care, micro-enterprise loans and shelter. Although vetting is not required under these rules, ██████ would still be willing to provide generic information if requested by Agreement Officer in writing. Furthermore, ██████ interpretation of these requirements was reinforced by the USAID representatives during the exit meeting held on April 28, 2022.

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

██████ notes the recommendation and the costs of \$29,248 will be reimbursed to BHA.

██████ has well developed finance policies with clear internal control guidelines and processes that help safeguard ██████ and donor resources. The ██████ management adheres to these policies and finding in question was an isolated case of a reversal in error. The teams charged with audits have been strengthened to ensure strong process walkthrough and reviews to identify any control gaps and recommend mitigation to management.

Finding 2022-03: Costs were not Supported with Sufficient Documentation to Determine Allowability

██████ agrees with the finding and an amount of \$493 will be re-imbursed to BHA.

█ has well developed finance policies with clear internal control guidelines and process that help safeguard donor resources. The █ management adheres to these policies and finding in question was an isolated case. Further █ has hired archivists to ensure digitalization of all finance documents and will conduct orientation/refresher training to finance staff on document retention.

Finding 2022-04: Lacked Allocation Methodology

Fringe Benefits:

R&R trips allocated 100% to the Program (\$3,596):

█ partially agrees: Based on average rate of timesheet for the staff in question, a portion of the expense is allocatable to the project. Out of the total amount of (\$3,596): \$1,176.77 is allowable cost based on staff time and effort %. (See Ref# 13 for staff time sheets).

R&R trips allocated 50% to the Program (\$1,565).

█ partially agrees: Based on average rate of timesheet for the staff in question, a portion of the expense is allocatable to the project. Out of the total amount of (\$1,565), \$406.83 is allowable cost based on staff time and effort % please see staff time sheets under Ref# 14.

Medical benefits (\$607).

█ agrees with the finding and an amount of \$607 will be reimbursed to BHA.

Travel and Transport:

Perdiem (\$120):

█ agrees with the finding and an amount of \$120 will be reimbursed to BHA.

Other Direct Cost:

█ notes the recommendation and the amount of \$6,908 will be reimbursed to BHA.

█ has a robust cost allocation methodology that ensures that shared costs are allocated fairly and reasonably across projects. We will ensure that allocation of shared costs is done in accordance with the policy. As an organization, we are taking measures to strengthen compliance within the organization. We have increased staffing resources in country to have more focused resources for maintaining oversight and will also be conducting staff orientations/trainings to enhance staff capacity and understanding.

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

Sub-grantee Costs (█ Response):

Ineligible costs \$599

The 559 USD counted as ineligible cost for cash distribution to beneficiaries, for two (2) individuals with a positive name match on the exclusion list. In attached file #1 the snapshot you can see the [REDACTED]

[REDACTED] is from [REDACTED] is from Afghanistan as well. Furthermore, the cash assistant is made only to Afghan nationals.

Furthermore, please find in attachment the Taskira ID (National ID) copy of two (2) individuals with a positive name match on the exclusion list. The [REDACTED]

[REDACTED] is from Saudi Arabia and [REDACTED] is from Afghanistan [REDACTED] is from Afghanistan as well.

Unsupported costs, \$4,266

The R&R policy is attached. The percentage salary charged of [REDACTED] along with allowances (Insurance, pension etc.) is 10% of her gross salary plus allowances and the R&R charged for [REDACTED] in this project is total 2800 USD and the total project period is 20.5 months so her total R&R for 20.5 months is $20.5/2 \times 1400 \text{ USD} = 14350 \text{ USD}$ consider the percentage of her salary charged based on LoE; the R&R charged should be $14350 \times 10\% = 1435 \text{ USD}$. Furthermore, as we have approximately 15 expat staff so just to make the process easy some of the expat staff 100% monthly R&R is charge to one project and other expat staff R&R to other projects.

The amounts 87.07 USD, 65.30 USD (Jan 2021) and 84.1 USD (Mar 2021) is Expat pension allowance, and 56.76 USD (Mar 2021) is Expat allowance. The expat pension or allowances is actual charge in [REDACTED] currency and the difference is because of exchange rate for conversion in USD. Furthermore, in attachment is the time sheet of Alexandra for Jan 2022.

Response:

[REDACTED] has robust partnership management procedures to ensure that sub-grantee's expenses are reviewed properly. [REDACTED] staff conduct visits of sub-grantee's offices to review the supporting documents on samples basis. [REDACTED] is currently recruiting an additional staff member who will be responsible for managing the review of sub-grantee's expenses and providing support to sub-grantees for improving compliance with donor guidelines.

Prior Year Findings:

Finding 2019-04: Lacked justification to support why certain expenses charged were all allocated to the Cooperative Agreements

[REDACTED] has comprehensive policies, procedures, and controls to ensure that costs are accurately allocated to the projects. The shared cost allocation policy of [REDACTED] ensures that shared costs are allocated to the projects in relation to the benefits received by each project. There are robust controls in place to monitor the allocations. This includes identifying the applicability of

the cost at the initial stage through the submission of Purchase Request that initiated and reviewed by budget holders, finance, and country program management as applicable. As an organization, we are taking measures to strengthen compliance within the organization. We have increased staffing resources in country to have more focused resources for maintaining oversight and will also be conducting staff orientations/trainings to enhance staff capacity and understanding.

[REDACTED]

Financial Audit of Costs Incurred Under
Grant Agreement No. [REDACTED]
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Auditor's Rebuttal to [REDACTED] Responses to Audit Findings

Appendix B: Auditor's Rebuttal

Conrad LLP ("Conrad" or "we" or "us") has reviewed the management responses of [REDACTED] to the draft report audit findings provided to Conrad on July 5, 2022. In consideration of those views, Conrad has included the following rebuttal to certain matters presented by the auditee. Conrad incorporates a rebuttal in those instances where management disagrees with the facts presented within the condition, does not concur with Conrad's recommendation, or provides additional documentation for review. In those instances, where management either agrees with the finding or does not disagree with the facts in the finding, as presented, no rebuttal is provided. Using this framework, Conrad has incorporated three (3) rebuttals to management's comments, specifically pertaining to Finding 2022-01, 2022-04, and 2022-05, below.

[REDACTED] disagreed with Finding 2022-01, agreed with Finding 2022-02 and 2022-03, partially agreed with Finding 2022-04, and did not explicitly agree or disagree with Finding 2022-05. Auditor's rebuttal to [REDACTED] responses relating to the audit findings identified in this report are presented below:

- (1) **Finding 2022-01:** [REDACTED] disagreed with the identified issue regarding not performing exclusion checks on employees and cash beneficiaries and maintained that they conformed with internal policies and authoritative requirements. [REDACTED] provided the Anti-Terrorism Check (ATC) for the three (3) employees in question. [REDACTED] further stated that Mission Order 201.6, Appendix A – Vetting Procedures does not apply to USAID awarded contracts.

Auditor Rebuttal: As stated in the finding, [REDACTED] did not check three (3) out of 40 local national employees tested against OFAC exclusion lists prior to hire. As cited in the Criteria section of the finding, [REDACTED] policy stated that an Anti-Terrorism Check (ATC) is a must for any employee, and no employees are permitted to be recruited unless a full ATC check is conducted. Conrad reviewed the ATC provided by [REDACTED] for the three (3) employees in question and noted that these checks were performed in 2018. However, Conrad was unable to determine whether these checks were conducted prior to hire since [REDACTED] did not provide the original hire dates for these employees. When these issues were discovered and communicated to [REDACTED] during the audit, [REDACTED] stated that an ATC was not conducted because the hire dates for these three (3) employees were before the effective date of [REDACTED] Anti-Terrorism Check policy.

Also stated in the finding, [REDACTED] did not check the cash beneficiaries/recipients against OFAC exclusion lists prior to issuing the cash payments. As cited in the Criteria section of the finding, Mandatory Provision #12 of the Agreement explicitly stated that the grant recipient will not engage in transactions with, or provide resources or support to, any individual or entity that is subject to sanctions administered by OFAC or the United Nations.

[REDACTED]

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Although vetting procedures do not apply to this award, the OFAC check as required by [REDACTED] policy and the term of the award aforementioned do apply.

As such, our recommendation and associated questioned costs remain unchanged.

- (2) **Finding 2022-02:** [REDACTED] concurred with the ineligible cost finding of \$29,248 and indicated that these costs will be reimbursed to the funding agency. Furthermore, [REDACTED] stated that these were isolated instances, and [REDACTED] teams charged with audits have been strengthened to ensure strong process walkthroughs and reviews to identify any control gaps and recommend mitigation to management.

Auditor Rebuttal: No rebuttal to the costs in question is deemed necessary as [REDACTED] concurred with the costs in question. Given the number of errors identified in this finding, we do not believe they are isolated instances. Our finding and recommendations remain unchanged.

- (3) **Finding 2022-03:** [REDACTED] concurred with the unsupported cost finding of \$493 and indicated that these costs will be reimbursed to the funding agency. Furthermore, [REDACTED] stated that these were isolated instances, and they have hired archivists to ensure digitalization of all finance documents and will conduct orientation/refresher training to finance staff on document retention.

Auditor Rebuttal: No rebuttal to the costs in question is deemed necessary as [REDACTED] concurred with the costs in question. Given the number of errors identified in this finding, we do not believe they are isolated instances. Our finding and recommendations remain unchanged.

- (4) **Finding 2022-04:** [REDACTED] stated the following responses:

- Fringe Benefits
 - In response to the costs related to the employees' R&R trips being allocated 100% and 50% to the Program, [REDACTED] stated that a portion of these costs were allocable based on the average employee's level of effort. [REDACTED] provided the timesheets and calculation to support their statement.
 - [REDACTED] agreed with the excess medical benefits costs identified and indicated that these costs will be reimbursed to the funding agency.
- Travel and Transport
 - [REDACTED] agreed with the excess per diem costs identified and indicated that these costs will be reimbursed to the funding agency.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
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- Other Direct Costs
 - [REDACTED] agreed with the excess other direct costs identified, including a fuel tank, prepaid cellphone cards, internet services, and office rent, and indicated that these costs will be reimbursed to the funding agency.

Additionally, [REDACTED] indicated that they have a robust cost allocation methodology that ensures that shared costs are allocated fairly and reasonably across programs, and they are taking measures to strengthen compliance within the organization, such as increasing staffing resources in country and conducting staff orientations/trainings to enhance staff capacity and understanding.

Auditor Rebuttal:

- a. Fringe Benefits
 - As stated in the finding, we noted three (3) instances where costs related to the employees' R&R trips were allocated 100% to the Program without employees working 100% on the Program, and two (2) instances where costs related to the employees' R&R trips were allocated at 50% of the employee's costs to the Program without evidence to justify this allocation percentage. [REDACTED] provided the timesheets for the employees in question and the calculation demonstrating how the allowable costs were derived. Based on our review of the timesheets, [REDACTED] allocated employees' level of effort based on one timesheet, rather than a full year allocation. As such, our recommendation and associated questioned cost remain unchanged.
 - No rebuttal is deemed necessary as it relates to the medical benefits as [REDACTED] concurred with the finding and recommendations.
- b. Travel and Transport
 - No rebuttal is deemed necessary as it relates to the per diem costs as [REDACTED] concurred with the finding and recommendations.
- c. Other Direct Costs
 - No rebuttal is deemed necessary as it relates to various other direct costs as [REDACTED] concurred with the finding and recommendations.

(5) Finding 2022-05: [REDACTED] neither explicitly agreed nor disagreed with this finding. [REDACTED] indicated they have robust partnership management procedures to ensure that sub-grantee's expenses are

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
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Auditor's Rebuttal to [REDACTED] Responses to Audit Findings

reviewed properly, and they are currently recruiting an additional staff member who will be responsible for managing the review of sub-grantee's expenses and providing support to sub-grantees for improving compliance with donor guidelines.

Additionally, the sub-grantee stated the following responses:

- For the ineligible costs related to the two (2) cash beneficiaries with positive name matches on the OFAC exclusion lists, the sub-grantee stated that the cash assistance was only to Afghan nationals and performed a re-check of OFAC exclusion lists on the positive name matches to prove that they were from a country other than Afghanistan. The result for [REDACTED] showed that this individual was from Saudi Arabia. The result for [REDACTED] did not have any information regarding nationality, citizenship, or address to show this individual was from another country.
- For the unsupported costs related to R&R trips being allocated 100% to the Program, the sub-grantee stated that a portion of these costs were allocable and described their methodology in the response.
- For the unsupported costs related to the salaries and fringe benefits for one of its employees, the sub-grantee stated that the amounts \$87.07, \$65.30 charged in Jan 2021 and \$84.10 charged in March 2021 are expatriate pension allowances, and \$56.76 charged in March 2021 is an expatriate allowance, and that the expatriate pension or allowances are actual charges in [REDACTED] currency and the difference is because of exchange rates for conversion in USD. In addition, the sub-grantee provided the employee contract effective June 28, 2020.

Auditor Rebuttal:

- As stated in the finding, the sub-grantee did not check the cash beneficiaries/recipients against OFAC exclusion lists prior to issuing the cash payments. As cited in the Criteria section of the finding, Mandatory Provision #12 of the Agreement explicitly stated that the grant recipient will not engage in transactions with, or provide resources or support to, any individual or entity that is subject to sanctions administered by OFAC or the United Nations. In addition, the recipient must include this provision in all subawards, and contracts issued under this award. As such, our recommendation and associated questioned costs remain unchanged.
- As stated in the finding, we noted two (2) instances where the sub-grantee charged 100% of the R&R cost for employees without working 100% on the Program. According to the

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under
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sub-grantee, the percentage salary along with allowances charged for the employee in question is 10% of their gross salary plus allowances. The sub-grantee further stated that the R&R charged for this employee to this program totaled \$2,800 and the total program period is 20.5 months so her total R&R for the 20.5 months was $20.5/2 * \$1,400 = \$14,350$. Considering the percentage of their salary charged based on their level of effort, the sub-grantee believed that the R&R charged should be $\$14,350 * 10\% = \$1,435$. The sub-grantee did not provide supporting documentation to substantiate the 10% allocation. As such, our recommendations and associated questioned costs remain unchanged.

- As stated in the finding, the sub-grantee did not provide the employee contract to support the salaries and fringe benefits charged to the Program for one of its employees. This resulted in unsupported salaries and fringe benefits costs. The sub-grantee stated that the amounts \$87.07, \$65.30 charged in Jan 2021 and \$84.10 charged in March 2021 are expatriate pension allowances, and \$56.76 charged in March 2021 is an expatriate allowance. We did not question these amounts. In addition, we reviewed the employee contract provided by the sub-grantee. This contract had already been provided to us during the audit and did not support the amounts charged to the Program. As such, our recommendations and associated questioned costs remain unchanged.

Prior Year Findings:

Finding 2019-04: Lacked justification to support why certain expenses charged were all allocated to the Cooperative Agreements.

[REDACTED] response: [REDACTED] neither explicitly agreed nor disagreed with our conclusion on this prior audit finding. [REDACTED] stated that they have comprehensive policies and procedures to ensure that shared costs are allocated to the projects in relation to the benefits received by each project, and there are robust controls in place to monitor the allocations. [REDACTED] also stated that they are taking measures to strengthen compliance within the organization, such as increasing staffing resources in country and conducting staff orientations/trainings to enhance staff capacity and understanding.

Auditor Rebuttal: As stated in the status of this prior finding, we noted that [REDACTED] had adequate shared cost allocation policy and procedures in place. However, during our audit, we identified various shared costs that were charged and allocated to the Program without an adequate allocation methodology. Therefore, it does not appear that [REDACTED] has robust controls in place to ensure that allocations of shared costs are done accurately and in accordance with their internal policy. Our conclusion remains unchanged.

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SIGAR's Mission

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