

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 23-09 Financial Audit**

USAID's Building a Culture of Resilience and  
Saving Lives Through Integrated Emergency  
Response to Disaster Affected Populations in  
Afghanistan Program: 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 September 20, 2019, the U.S. Agency for International Development (USAID) awarded a 1-year, \$6,000,000 grant to [REDACTED] in support of USAID's Building a Culture of Resilience and Saving Lives Through Integrated Emergency Response to Disaster Affected Populations in Afghanistan program. The purpose of the program was to increase access to quality, comprehensive, and gender-sensitive support for disaster-affected people in targeted provinces of Afghanistan. USAID modified the grant two times; the modifications did not affect the total grant amount, but the period of performance end date was extended to March 23, 2021.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$5,995,116 in costs charged to the grant from September 24, 2019, through March 23, 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 grant; (2) identify and report on instances of material noncompliance with the terms of the grant and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether [REDACTED] has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of [REDACTED] Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

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

December 2022

USAID's Building a Culture of Resilience and Saving Lives Through Integrated Emergency Response to Disaster Affected Populations in Afghanistan: Audit of Costs Incurred by [REDACTED]

SIGAR 23-09-FA

### WHAT SIGAR FOUND

Conrad identified one deficiency and seven significant deficiencies in [REDACTED] internal controls, and eight instances of noncompliance with the terms of the grant. For example, Conrad identified costs allocated to the grant that were incurred and designated for other awards. In another example, Conrad sampled 405 labor transactions, and identified 9 instances of missing or insufficient timesheet documentation and 33 instances where timesheets were approved and/or submitted prior to the end of the pay period. SIGAR notified [REDACTED] of these deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$100,623 in total questioned costs, consisting of \$69,602 in ineligible costs—costs prohibited by the task order and applicable laws and regulations, and \$31,021 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

| Category            | Ineligible | Unsupported | Total Questioned Costs |
|---------------------|------------|-------------|------------------------|
| Direct Labor        | \$29,665   | \$11,010    | \$40,675               |
| Fringe Benefits     | \$8,213    | \$0         | \$8,213                |
| Travel and Per Diem | \$1,426    | \$4,397     | \$5,823                |
| Equipment           | \$1,760    | \$0         | \$1,760                |
| Other Direct Costs  | \$7,587    | \$4,891     | \$12,478               |
| Program Costs       | \$8,582    | \$5,209     | \$13,791               |
| Indirect Costs      | \$12,369   | \$5,514     | \$17,883               |
| Total Costs         | \$69,602   | \$31,021    | \$100,623              |

Conrad identified two prior audit reports that were relevant to [REDACTED] grant. The reports had five findings and recommendations that could have a material effect on the SPFS. The auditors conducted follow-up procedures and concluded that [REDACTED] took adequate corrective action on four of the findings but had not adequately addressed one of the findings.

Conrad issued an unmodified opinion on [REDACTED] SPFS, noting that it presents fairly, in all material respects, revenues earned 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, \$100,623 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's eight internal control findings.
3. Advise [REDACTED] to address the report's eight noncompliance findings.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

December 14, 2022

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

Ms. Sarah Charles  
Assistant to the Administrator, USAID Bureau for Humanitarian Assistance

We contracted with Conrad LLP (Conrad) to audit the costs incurred by [REDACTED] [REDACTED] [REDACTED] under a grant from the U.S. Agency for International Development (USAID). The grant supported USAID's Building a Culture of Resilience and Saving Lives Through Integrated Emergency Response to Disaster and Conflict Affected Populations in Afghanistan program.<sup>1</sup> The purpose of the program was to increase access to quality, comprehensive, and gender-sensitive support for disaster-affected people in targeted provinces of Afghanistan. Conrad reviewed \$5,995,116 in costs charged to the grant from September 24, 2019, through March 23, 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, \$100,623 in questioned costs identified in the report.**
2. **Advise [REDACTED] to address the report's eight internal control findings.**
3. **Advise [REDACTED] to address the report's eight noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on [REDACTED] Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated October 10, 2022, and the conclusions expressed therein. However, our review disclosed no instances 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](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil), within 60 days from the issue date of this report.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-230)

<sup>1</sup> The grant number is [REDACTED]. The grant was funded by USAID's Offices of U.S. Foreign Disaster Assistance and Food for Peace, which have since been combined into USAID's Bureau for Humanitarian Assistance.

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency  
Response to Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

## **Table of Contents**

|                                                                                | Page |
|--------------------------------------------------------------------------------|------|
| Transmittal Letter                                                             |      |
| Background                                                                     | 1    |
| Work Performed                                                                 | 2    |
| Objectives, Scope, and Methodology                                             | 2    |
| Summary of Results                                                             | 5    |
| Review of Prior Findings and Recommendations                                   | 8    |
| Summary of [REDACTED] Responses to Findings                                    | 9    |
| Independent Auditor's Report on the Special Purpose Financial Statement        | 11   |
| Special Purpose Financial Statement                                            | 13   |
| Notes to the Special Purpose Financial Statement                               | 14   |
| Notes to Questioned Costs Presented on the Special Purpose Financial Statement | 16   |
| Independent Auditor's Report on Internal Control                               | 19   |
| Independent Auditor's Report on Compliance                                     | 21   |
| Schedule of Findings and Questioned Costs                                      | 23   |
| Status of Prior Audit Findings                                                 | 57   |
| Appendices:                                                                    |      |
| Appendix A: [REDACTED] Responses to Audit Findings                             | 60   |
| Appendix B: Auditor's Rebuttal to [REDACTED] Responses to Audit Findings       | 88   |



October 10, 2022

Board of Directors  
[REDACTED]

Special Inspector General for Afghanistan Reconstruction ("SIGAR")  
Arlington, VA

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 the [REDACTED] Special Purpose Financial Statement for costs incurred under Agreement No. [REDACTED] awarded by the United States Agency for International Development's Office of Foreign Disaster Assistance for the period September 24, 2019 through March 23, 2021, supporting the Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to Disaster and Conflict Affected Populations in Afghanistan program.

On May 19, 2022, we provided SIGAR with a draft report reflecting our audit procedures and results. [REDACTED] received a copy of the report on August 3, 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 SIGAR and [REDACTED]. Additionally, [REDACTED] responses and Conrad's corresponding rebuttals are incorporated into this report following our audit reports.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "S Perera", with a horizontal line underneath the name.

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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## Background

On September 20, 2019, the United States Agency for International Development's Office of Foreign Disaster Assistance ("USAID/OFDA") awarded a \$6,000,000 Agreement No. [REDACTED] ("Agreement" or "Award") to [REDACTED] in support of the Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to Disaster and Conflict Affected Populations in Afghanistan program (the "Program"). The grant's initial period of performance ran from September 24, 2019, through September 23, 2020.

The goal of the program was to increase access to quality, comprehensive, and gender-sensitive support for disaster-affected people in targeted provinces of Afghanistan. Program focus areas include:

[REDACTED] In order to accomplish this goal, [REDACTED] outlined six principal objectives:

1. Increase the capacity of relevant government authorities, civil-society organizations and communities in the ability to respond in a timely and effective manner to emergencies.
2. Maintain capacity to respond rapidly and effectively to emergencies through procurement, warehousing, distribution, and general supply chain management in multiple provinces/operational areas of [REDACTED] in Afghanistan.
3. Support the creation of a conducive environment to prevent and respond to the [REDACTED]
4. Enhance the recovery of disaster-affected populations through access to [REDACTED].
5. Support Internally Displaced Persons (IDPs) and host communities affected by conflict or natural disaster to restore their livelihoods.
6. Support conflict and natural disaster induced IDPs and host communities affected by drought to access [REDACTED].

During the course of the period of performance, the Agreement was modified two times. The modifications did not have an impact on the total award amount but did extend the period of performance, realigned the budget, and changed the Agreement Officer's Representative. See the *Summary of Agreement* below.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

**Summary of Agreement**

| Award Number | Original Budget and Period of Performance |            |          | Modified Budget and Period of Performance |            |          |
|--------------|-------------------------------------------|------------|----------|-------------------------------------------|------------|----------|
|              | Original Approved Budget (\$)             | Start Date | End Date | Final Approved Budget (\$)                | Start Date | End Date |
| [REDACTED]   | \$6,000,000                               | 09/24/19   | 09/23/20 | \$6,000,000                               | 09/24/19   | 03/23/21 |

**Work Performed**

Conrad LLP ("Conrad") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a financial audit of the Agreement previously mentioned above, of [REDACTED] Special Purpose Financial Statement ("SPFS") for costs incurred under the Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to Disaster and Conflict Affected Populations in Afghanistan program for the period September 24, 2019 through March 23, 2021 with a total incurred cost of \$5,995,116.

**Objectives, Scope, and Methodology**

**Audit Objectives**

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

- *Special Purpose Financial Statement ("SPFS")* – Express an opinion on whether [REDACTED] SPFS for the Award presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the Award 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 Award, 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 Award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

### **Scope**

The scope of this audit included all revenues received and costs incurred under the Agreement during the period of September 24, 2019 through March 23, 2021. The total revenue received and costs incurred for the period were \$5,995,116, which included associated indirect costs. Our testing of indirect costs was limited to determining if the indirect costs were calculated in accordance with the Agreement and/or subsequently approved Negotiated Indirect Cost Rate Agreement ("NICRA").

### **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 via conference call on October 21, 2021. Participants included representatives from Conrad, [REDACTED] SIGAR, and USAID/OFDA. 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]
- Reviewed the Agreement and all modifications;
- Reviewed specific USAID/OFDA regulations that are applicable to the Agreement;
- Performed a financial reconciliation; and
- Selected samples based on our sampling techniques. Based on our approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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data mining to assess individual expenditure accounts and transactions that were considered to be high to medium to low risk for inclusion in our test of transactions. None of the populations were homogeneous in nature, which means none of the costs were identical in nature, thus statistical sampling was not used. All samples were selected on a judgmental basis. Our sampling methodology for judgmental samples was as follows:

- o For accounts that appeared to contain unallowable and restricted items according to the terms of the Agreement, 2 Code of Federal Regulations Part 200 ("2 CFR 200"), 2 Code of Federal Regulations Part 700 ("2 CFR 700"), USAID Automated Directives System ("USAID ADS"), and any other applicable regulations, we tested 100% of the transactions.
- o For related party transactions, we did not identify any related party transactions.
- o High risk cost categories – sample transactions that are greater than \$30,000 not to exceed 30% of the total amount expended for each cost category.
- o Medium risk cost categories – sample transactions that are greater than \$60,000 not to exceed 20% of the total amount expended for each cost category.
- o Low risk cost categories – sample transactions that are greater than \$60,000 not to exceed 10% of the total amount expended for each cost category, and not to exceed 50 transactions in total for all accounts comprising low risk categories.

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, and identifying key controls within significant transaction cycles and testing those key controls.

Compliance with the Agreement Requirements and Applicable Laws and Regulations

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

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from [REDACTED] and reviewed these reports to determine if there were any findings and recommendations that could have a potential impact on this audit. We also conducted a search online of various governmental websites including SIGAR, USAID, and other Federal agencies, to identify previous engagements that could have a material effect on [REDACTED] SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. Our review procedures included holding discussions with management regarding corrective actions taken, reviewing evidence of revised policies and procedures or other applicable recommended actions, as well as conducting tests of items similar to those found in the prior findings. See the *Status of Prior Audit Findings* section on page 57.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Agreement and applicable general ledger;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Reviewed personnel costs to ensure they are supported, authorized, reasonable, and allowable; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Agreement, and reasonable.

Exit Conference

An exit conference was held on April 28, 2022 via conference call. Participants included representatives from Conrad, [REDACTED] SIGAR, and USAID/OFDA. During the exit conference, we discussed the preliminary results of the audit and reporting process.

**Summary of Results**

As a result of our procedures, we issued an unmodified opinion on the SPFS and identified eight findings that amounted to \$100,623 in questioned costs. We have summarized the details of these results in the *Findings and Questioned Costs* subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS in all material respects, revenues earned, and costs incurred.

Internal Controls and Compliance

Conrad also reported on [REDACTED] internal controls over financial reporting and compliance with laws, rules, and regulations, and the terms and conditions of the Agreement. We identified one deficiency and seven significant deficiencies in [REDACTED] internal controls, and eight instances of non-compliance. In performing our testing, we considered whether the information obtained resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*.

In response to the identified instances of non-compliance, we identified \$100,623 in total questioned costs, comprised of \$69,602 in ineligible costs, \$31,021 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable; prohibited by the award provisions or applicable laws and regulations; or not award related. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. The following summarizes the audit results:

| Finding Number | Nature of Finding                                            | Matter                                                                                                                            | Ineligible Costs | Unsupported Costs | Cumulative Questioned Cost |
|----------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------|----------------------------|
| 2022-01        | Non-compliance and Internal Control – Significant Deficiency | [REDACTED]<br>Reallocated Costs that were Designated for Other Awards to the Award under Audit                                    | \$ 42,123        | -                 | \$ 42,123                  |
| 2022-02        | Non-compliance and Internal Control – Significant Deficiency | [REDACTED]<br>did not Reimburse the Indirect Costs Associated with Disallowed Costs Identified in a USAID Foreign Recipient Audit | 21,765           | -                 | 63,888                     |

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

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|         |                                                              |                                                                                                                                     |       |        |         |
|---------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-------|--------|---------|
| 2022-03 | Non-compliance and Internal Control – Significant Deficiency | Missing or Insufficient Direct Labor Source Documentation and Employee Timesheets Approved and/or Submitted prior to Pay Period End | -     | 13,390 | 77,278  |
| 2022-04 | Non-compliance and Internal Control – Significant Deficiency | Incurred Costs Related to Multiple Awards were Allocated Entirely to the Award                                                      | -     | 9,397  | 86,675  |
| 2022-05 | Non-compliance and Internal Control – Significant Deficiency | [REDACTED] did not adhere to the required Procurement Processes                                                                     | -     | 7,548  | 94,223  |
| 2022-06 | Non-compliance and Internal Control – Significant Deficiency | [REDACTED] Self-Disclosed an Internal Violation of [REDACTED] Procurement Processes related to Two Vehicle Rental Contracts         | 5,236 | -      | 99,459  |
| 2022-07 | Non-compliance and Internal Control – Significant Deficiency | [REDACTED] did not adhere to its internal Travel Policies and Procedures                                                            | -     | 686    | 100,145 |

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

|                               |                                                  |                                                                 |                  |                  |                   |
|-------------------------------|--------------------------------------------------|-----------------------------------------------------------------|------------------|------------------|-------------------|
| 2022-08                       | Non-compliance and Internal Control – Deficiency | Ineligible Gifts were Purchased and Distributed to Female Staff | 478              | -                | 100,623           |
| <b>Total Questioned Costs</b> |                                                  |                                                                 | <b>\$ 69,602</b> | <b>\$ 31,021</b> | <b>\$ 100,623</b> |

### Review of Prior Findings and Recommendations

Based on our request and search of prior engagements pertinent to [REDACTED] activities under the Agreement, we identified two prior engagements which contained five (5) combined findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We have reviewed the corrective actions taken to address these findings and recommendations. Based on our review and inquiries, [REDACTED] took adequate corrective actions on four (4) findings and recommendations, but had not taken adequate corrective action on one (1) finding related to the charging of costs that were incurred prior to the Program start date and the misclassification of transactions to the incorrect Program. See *Status of Prior Audit Findings* on page 57 for a detailed description of the prior findings and recommendations.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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**Summary of [REDACTED] Responses to 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 at **Appendix A** starting at page 60 of this report.

- (1) **Finding 2022-01:** [REDACTED] disagrees with the finding and recommendations. It is [REDACTED] stance that reallocation of costs where an award has an overlapping term and purpose with other funding sources and the costs are legitimately allocated on a reasonable and fair cost basis, should not automatically render the cost questioned or disallowed. [REDACTED] noted that in times of transition from one award to another award, costs initially coded for the old award can be transferred to the new award as long as the cost is not outside the term or scope of the agreements. [REDACTED] also stated that in country offices where there are multiple funding sources, there is a level of shared direct costs for program implementation, and instances where multiple funding sources will fund one overarching project and contribute to the milestones and objectives.
- (2) **Finding 2022-02:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] contends that since the questioned amount was removed from the revised SF425 submitted that the amount should be documented in the auditor's working papers but not included in the report. Furthermore, [REDACTED] argued that Conrad should not question the associated indirect costs or recommend that [REDACTED] reimburse the government for the indirect costs as [REDACTED] has calculated billable indirect costs in excess of what they were able to charge to the government. As such, the amount in question, if disallowed, would be replaced by other indirect costs that [REDACTED] was previously unable to bill and there would be no impact to the total amount billed to the U.S. government.
- (3) **Finding 2022-03:** [REDACTED] partially agrees with the finding and recommendations. [REDACTED] agreed that a portion of the questioned costs should be disallowed and agreed to formalize policies and procedures. [REDACTED] did not agree with the issues surrounding missing or insufficient source documentation stating that information had been provided.
- (4) **Finding 2022-04:** [REDACTED] partially agrees with the finding and recommendations. [REDACTED] stated that for many of the items where Conrad questioned the allocation, the costs were directly related to the USAID project under audit. Additionally, [REDACTED] noted that when projects had the same scope or were identified as being incorrectly coded, the CO provided an explanation and support for the change in coding. In the interest of conservatism, [REDACTED] accepted Conrad's finding with respect to the reallocation of costs solely for "budgetary reasons".
- (5) **Finding 2022-05:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] stated that many of the noted questions on allocation were regarding costs related directly to the USAID project and that the ground limitations to seek competitive quotes for some costs, such as hotel services in remote areas for staff accommodations. In such circumstances, due diligence is achieved

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
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For the period September 24, 2019 through March 23, 2021

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through other approvals. In addition, [REDACTED] stated that many of the items where it appeared costs should be allocated were directly related to the grant under audit.

- (6) **Finding 2022-06:** [REDACTED] disagrees with the finding and recommendation. [REDACTED] stated that the finding is misleading and requested that the finding be removed from the report. Furthermore, it is [REDACTED] stance that Conrad should not question the associated indirect costs with this finding as [REDACTED] has calculated billable indirect costs in excess of what they were able to charge to the government. As such, the amount in question, if disallowed, would be replaced by other indirect costs that [REDACTED] was previously unable to bill and there would be no impact to the total amount billed to the U.S. government.
- (7) **Finding 2022-07:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] stated that in some cases the per diems were for multiple staff, and thus the per diem paid was a cumulative total of the per diems per policy. In addition, [REDACTED] stated that the appropriate approval documents were provided along with email dialogues and that appropriate controls surrounding travel are in place. In regard to the document retention issue, [REDACTED] cited a difficult working environment, noting the skeleton staff was focused on ongoing programming and difficult situation in the country office, which impacted [REDACTED] ability to retain documentation.
- (8) **Finding 2022-08:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] stated that the "gifts" were not used in promotion of [REDACTED] generally or in any fundraising initiatives, nor for mere entertainment as suggested by the criteria references.

(Continued)



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

Board of Directors  
[REDACTED]

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

### **Report on the 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 United States Agency for International Development's Office of Foreign Disaster Assistance Award No. [REDACTED] Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to Disaster and Conflict Affected Populations in Afghanistan, for the period September 24, 2019 through March 23, 2021.

### **Management's Responsibility 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 Agreement and the Office of the Special Inspector General of Afghanistan Reconstruction ("SIGAR"). Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial Statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Special Purpose Financial Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to [REDACTED] preparation and fair presentation of the Special Purpose Financial Statement 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, we express no such opinion. An audit also includes evaluating the

(Continued)

- 11 -

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Special Purpose Financial Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion below.

### **Opinion**

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the revenues earned, costs incurred, and balances for the indicated period in accordance with the terms of the Agreement for the period September 24, 2019 through March 23, 2021 and in conformity with the basis of accounting described below.

### **Basis of Presentation and Accounting**

We draw attention to Note 1 and 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Special Purpose Financial Statement, the statement is prepared by [REDACTED] on the basis of the requirements provided by the Agreement and SIGAR, which is a basis of presentation 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 October 10, 2022 on our consideration of [REDACTED] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering [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 Office of 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.

*Conrad LLP*

Lake Forest, California  
October 10, 2022

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

**Special Purpose Financial Statement**

|                          | <u>Budget</u>    | <u>Actual</u>    | <u>Questioned Costs</u> |                    |                  | <u>Notes</u> |
|--------------------------|------------------|------------------|-------------------------|--------------------|------------------|--------------|
|                          |                  |                  | <u>Ineligible</u>       | <u>Unsupported</u> | <u>Total</u>     |              |
| Revenues:                |                  |                  |                         |                    |                  |              |
| <b>Agreement No.</b>     |                  |                  |                         |                    |                  |              |
| [REDACTED]               | \$ 6,000,000     | \$ 5,995,116     | \$ -                    | \$ -               | \$ -             | (7)          |
| Total revenues           | <u>6,000,000</u> | <u>5,995,116</u> | <u>-</u>                | <u>-</u>           | <u>-</u>         |              |
| Costs incurred:          |                  |                  |                         |                    |                  |              |
| Direct labor             | 1,534,310        | 1,521,565        | 29,665                  | 11,010             | 40,675           | (A)          |
| Fringe benefits          | 413,869          | 284,020          | 8,213                   | -                  | 8,213            | (B)          |
| Travel and per diem      | 69,136           | 56,381           | 1,426                   | 4,397              | 5,823            | (C)          |
| Equipment                | 29,754           | 58,252           | 1,760                   | -                  | 1,760            | (D)          |
| Other direct costs       | 287,062          | 315,273          | 7,587                   | 4,891              | 12,478           | (E)          |
| Program costs            | 2,643,691        | 2,737,447        | 8,582                   | 5,209              | 13,791           | (F)          |
| Indirect costs           | <u>1,022,178</u> | <u>1,022,178</u> | <u>12,369</u>           | <u>5,514</u>       | <u>17,883</u>    | (G)          |
| Total costs              | <u>6,000,000</u> | <u>5,995,116</u> | <u>\$ 69,602</u>        | <u>\$ 31,021</u>   | <u>\$100,623</u> |              |
| Outstanding fund balance | <u>\$ -</u>      | <u>\$ -</u>      |                         |                    |                  | (3)          |

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

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**(1) Basis of Presentation**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Agreement Number [REDACTED] – Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to Disaster & Conflict Affected Population in Afghanistan for the period of September 24, 2019 through March 23, 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 the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal 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**

Revenues and expenditures reported on the Statement are reported on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Expenditures are recognized following the cost principles contained in 2 CFR 200, wherein certain types of expenditures are not allowable or are limited to reimbursement.

**(3) Balance**

[REDACTED] received U.S. \$5,995,116 and reported a total expenditure of U.S. \$5,995,116 for the federal award on the Statement. However, [REDACTED] self-disclosed issues, which occurred during this engagement's audit period that required a reimbursement of \$22,205 back to the funding agency. As such, the total award expenditures were reduced to \$5,972,911. A final receivable balance of U.S. \$0 is due from USAID.

**(4) Program Status**

The Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to Disaster & Conflict Affected Population in Afghanistan for the period of September 24, 2019 through March 23, 2021 is complete. The period of performance for the award is concluded on March 23, 2021 as noted in modification number P001 dated September 30, 2020.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**(5) NICRA**

[REDACTED] utilized a provisional NICRA rate per the latest agreement with our cognizant agency, USAID, for indirect costs on the award. The provisional rate, and subsequently to this award, will be subject to adjustments once our NICRA rates for 2020 and forward have been finalized and approved by USAID.

**(6) Foreign Currency Translation Method**

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

**(7) Revenues**

Revenues on the Statement represent the amount of funds to which [REDACTED] is entitled to receive from the U.S. Agency for International Development ("USAID") for allowable, eligible costs incurred under the Agreement during the period of performance.

**(8) Costs Incurred by Budget Category**

The budget categories presented, and associated amounts reflect the budget line items presented are within the final USAID/OFDA approved budget for Agreement No. [REDACTED]

**(9) Currency**

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

**(10) Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to the September 24, 2019 through March 23, 2021, period covered by the Statement. Management has performed their analysis through October 10, 2022.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]  
Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency  
Response to Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**(A) Direct Labor**

[REDACTED] reported a total of \$1,521,565 for Direct Labor for the period of September 24, 2019 through March 23, 2021.

During our audit of these costs, we noted one-hundred twenty (120) instances where [REDACTED] reallocated costs incurred in a different program to this Program, sixty (60) instances of disallowed Program costs resulting from a USAID Foreign Recipient audit, nine (9) instances of missing or insufficient source documentation, and thirty-three (33) instances where employee timesheets were approved and/or submitted prior to pay period end. As a result of these findings, we questioned a total of \$29,665 in ineligible costs – comprised of \$14,567 from Finding No. 2022-01, and \$15,098 from finding 2022-02. We also questioned \$11,010 in unsupported costs from Finding 2022-03.

**(B) Fringe Benefits**

[REDACTED] reported a total of \$284,020 for Fringe Benefits for the period of September 24, 2019 through March 23, 2021.

During our audit of these costs, we noted two (2) instances where the Source of Funds ("SOF") stated on the bank/cash payment voucher and/or invoice authorization did not agree to the SOF for the Program under audit, three (3) instances where [REDACTED] reallocated costs incurred in a different program to this Program, and six (6) instances of disallowed Program costs resulting from a USAID Foreign Recipient audit. As a result of these findings, we questioned a total of \$8,213 in ineligible costs – comprised of \$6,853 from Finding No. 2022-01 and \$1,360 from Finding No. 2022-02.

**(C) Travel and Per Diem**

[REDACTED] reported a total of \$56,381 for Travel and Per Diem for the period of September 24, 2019 through March 23, 2021.

During our audit of these costs, we noted six (6) instances where the SOF stated on the bank/cash payment voucher and/or invoice authorization provided does not agree to the SOF for the Program under audit, two (2) instances where Per Diem rates charged exceeded the Per Diem rates listed in [REDACTED] policy, nine (9) instances where the

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

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency  
Response to Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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supporting documentation was not provided to show that costs incurred were related to the Program and/or should be 100% allocated to the Program, two (2) instances of missing Travel Authorization Request forms, one (1) instance where the sample support that was provided was unrelated to the sample, two (2) instances of missing approval signatures on the Travel Authorization Request form, and two (2) instances of missing procurement documentation. As a result of these findings, we questioned a total of \$1,426 in ineligible costs from Finding No. 2022-01. We are also questioning \$4,397 in unsupported costs – comprised of \$2,835 from Finding No. 2022-04, \$998 from Finding No. 2022-05, and \$564 from Finding No. 2022-07.

**(D) Equipment**

[REDACTED] reported a total of \$58,252 for Equipment for the period of September 24, 2019 through March 23, 2021.

During our audit of these costs, we noted one (1) instance where the SOF stated on the bank/cash payment voucher and/or invoice authorization did not agree to the SOF for the Program under audit and one (1) instance where [REDACTED] reallocated costs incurred in a different program to this Program. As a result of this finding, we questioned a total of \$1,760 in ineligible costs from Finding No. 2022-01.

**(E) Other Direct Costs**

[REDACTED] reported a total of \$315,273 for Other Direct Costs for the period of September 24, 2019 through March 23, 2021.

During our audit of these costs, we noted five (5) instances where the SOF stated on the bank/cash payment voucher and/or invoice authorization did not agree to the SOF for the Program under audit, four (4) instances of disallowed Program Costs resulting from a USAID Foreign Recipient audit, and three (3) instances where supporting documentation was not provided to show that costs incurred related to the Program and/or should be 100% allocated to the Program. As a result of these findings, we questioned a total of \$7,587 in ineligible costs – comprised of \$6,159 from Finding No. 2022-01, and \$1,428 from Finding No. 2022-02. We are also questioning \$4,891 in unsupported costs from Finding No. 2022-04.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]  
Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency  
Response to Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**(F) Program Costs**

[REDACTED] reported a total of \$2,737,447 for Program Costs for the period of September 24, 2019 through March 23, 2021.

During our audit of these costs, we noted four (4) instances where the SOF stated on the bank/cash payment voucher and/or invoice authorization did not agree to the SOF for the Program under audit, eleven (11) instances where [REDACTED] reallocated costs incurred in a different program to this Program, one (1) instance of disallowed Program costs resulting from a USAID Foreign Recipient audit, three (3) instances where ineligible gifts were purchased for female staff, three (3) instances of missing procurement documentation, and seventeen (17) self-disclosed transactions in relation to two vehicle rental contracts that were in breach of [REDACTED] Procurement processes. As a result of these findings, we questioned a total of \$8,582 in ineligible costs – comprised of \$3,870 from Finding No. 2022-01, \$13 from Finding No. 2022-02, \$4,306 from Finding No. 2022-06, and \$393 from Finding No. 2022-08. We are also questioning \$5,209 in unsupported costs from Finding No. 2022-05.

**(G) Indirect Costs**

[REDACTED] reported a total of \$1,022,178 for Indirect Costs for the period of September 24, 2019 through March 23, 2021. The indirect costs associated with questioned costs identified in **Notes A, B, C, D, E, and F** above resulted in total ineligible indirect costs of \$12,369 and total unsupported indirect costs of \$5,514. This resulted in total questioned indirect costs of \$17,883, see below:

| Note   | Questioned Costs | G&A      | G&A       | Total Associated Indirect Costs |
|--------|------------------|----------|-----------|---------------------------------|
| A      | \$ 40,675        | \$ 2,259 | \$ 6,529  | \$ 8,788                        |
| B      | 8,213            | 1,276    | 500       | 1,776                           |
| C      | 5,823            | 882      | 377       | 1,259                           |
| D      | 1,760            | 265      | 115       | 380                             |
| E      | 12,478           | 2,390    | 310       | 2,700                           |
| F      | 13,791           | 611      | 2,369     | 2,980                           |
| Totals | \$ 82,740        | \$ 7,683 | \$ 10,200 | \$ 17,883                       |

*\*G&A rate used for costs charged from January 1, 2019 to December 31, 2019 was [REDACTED]  
and G&A rate used for costs from January 1, 2020 to March 23, 2021 was [REDACTED]*

(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 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 United States Agency for International Development's Office of Foreign Disaster Assistance Award No. [REDACTED] Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to Disaster and Conflict Affected Populations in Afghanistan, for the period September 24, 2019 through March 23, 2021. We have issued our report thereon dated October 10, 2022 with an unmodified opinion.

### Internal Control over Financial Reporting

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

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

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

(Continued)

- 19 -

did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify seven (7) significant deficiencies in internal controls and one deficiency as described in the accompanying *Schedule of Findings and Questioned Costs* section of this report. **Finding 2022-08** is considered to be a deficiency and **Finding 2022-01, Finding 2022-02, Finding 2022-03, Finding 2022-04, Finding 2022-05, Finding 2022-06, and Finding 2022-07** are considered to be significant deficiencies.

## **Response to Findings**

response to the findings identified in our audit is included verbatim at the *Appendix A* section. 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 Office of 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.



Lake Forest, California  
October 10, 2022

(Continued)



## 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 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 United States Agency for International Development's Office of Foreign Disaster Assistance Award No. [REDACTED] Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to Disaster and Conflict Affected Populations in Afghanistan, for the period September 24, 2019 through March 23, 2021. We have issued our report thereon dated October 10, 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 Agreement, noncompliance with which could have a direct and material effect on the determination of Special Purpose 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. As we performed our testing, we considered whether the information obtained during our testing indicated the possibility of fraud or abuse. Evidence of possible fraud or abuse was not indicated by our testing, except as noted in **Finding 2022-06** in the *Schedule of Findings and Questioned Costs*. The results of our tests disclosed eight (8) instances of non-compliance 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 **Finding 2022-01**, **Finding 2022-02**, **Finding 2022-03**, **Finding 2022-04**, **Finding 2022-05**, **Finding 2022-06**, **Finding 2022-07**, and **Finding 2022-08**.

### [REDACTED] Response to Findings

[REDACTED] response to the findings identified in our audit is included verbatim at the *Appendix A* section. [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.

(Continued)

- 21 -

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## 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 Office of 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  
October 10, 2022

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

**Schedule of Findings and Questioned Costs**

**Finding 2022-01:** [REDACTED] **Reallocated Costs that were Designated for Other Awards to the Award under Audit**

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

**Condition:** Conrad identified ineligible project costs during our sample testing of transactions judgmentally selected from each of the following cost categories:

| Cost Category              | No. of Sampled Transactions | Value of Sampled Transactions | No. of Transactions in Population | Value of Transactions in Population |
|----------------------------|-----------------------------|-------------------------------|-----------------------------------|-------------------------------------|
| Direct Labor               | 405                         | \$ 169,582                    | 13,912                            | \$ 1,521,565                        |
| Fringe Benefits            | 48                          | 52,362                        | 7,317                             | 284,020                             |
| Travel and Per Diem        | 37                          | 13,661                        | 574                               | 56,381                              |
| Equipment                  | 14                          | 43,473                        | 82                                | 58,252                              |
| Other Direct Costs ("ODC") | 50                          | 87,782                        | 3,165                             | 315,273                             |
| Program Costs              | 28                          | 840,701                       | 2,768                             | 2,737,447                           |

- 1) Our testing found transactions, allocated to the Program, which lacked documentation supporting their allocability. [REDACTED] assigns each of its awards a unique identifier called a Source of Funds ("SOF") code that is to be used when coding transactions. The SOF assigned to the award under audit is SOF 84006040. The supporting documentation, such as vouchers and invoice authorizations, for the items questioned below, included SOF codes unrelated to the Award, indicating that the costs were incurred and intended for other awards. [REDACTED] did not provide any other supporting documentation validating the legitimacy of the allocation. See transaction details below.

| Cost Category       | No. of Transaction Issues | SOF per Support | Ineligible Cost |
|---------------------|---------------------------|-----------------|-----------------|
| Fringe Benefits     | 2                         | 84005418        | \$ 2,500        |
|                     |                           | 84005418        | 2,500           |
|                     |                           | <b>Subtotal</b> | <b>5,000</b>    |
| Travel and Per Diem | 6                         | 84005418        | 489             |
|                     |                           | 82604516        | 340             |
|                     |                           | 75201442        | 164             |
|                     |                           | 82604516        | 145             |

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

|                    |           |                 |                  |
|--------------------|-----------|-----------------|------------------|
|                    |           | 82604516        | 144              |
|                    |           | 82604516        | 144              |
|                    |           | <b>Subtotal</b> | <b>1,426</b>     |
| Equipment          | 1         | 27600214        | 1,227            |
|                    |           | <b>Subtotal</b> | <b>1,227</b>     |
| Other Direct Costs | 5         | 84005418        | 4,626            |
|                    |           | 84005418        | 477              |
|                    |           | 82603307        | 453              |
|                    |           | 82603307        | 449              |
|                    |           | 99400402        | 154              |
|                    |           | <b>Subtotal</b> | <b>6,159</b>     |
| Program Costs      | 4         | 84005418        | 1,024            |
|                    |           | 03602270        | 476              |
|                    |           | 84005418        | 458              |
|                    |           | 84005418        | 458              |
|                    |           | <b>Subtotal</b> | <b>2,416</b>     |
| <b>Totals</b>      | <b>18</b> |                 | <b>\$ 16,228</b> |

- 2) In May 2020, [REDACTED] reallocated costs to the Award that had been incurred for an award funded by the United Nations Office for the Coordination of Humanitarian Affairs ("UNOCHA"). Based on our review of the underlying transaction support, there were salary and non-salary budget lines in the UNOCHA award that were overspent and at the direction of [REDACTED] management those costs were reallocated to the Project under audit. See transaction details below.

| Cost Category   | No. of Transaction Issues | Brief Transaction Description                                                                                                              | Ineligible Costs |
|-----------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Direct Labor    | 120                       | Staff salary, severance, annual leave (Sep 2019 – Mar 2020)                                                                                | \$ 14,567        |
| Fringe Benefits | 3                         | Training, vehicle painting, petrol and diesel fuel                                                                                         | 1,853            |
| Equipment       | 1                         | Chairs, desks, cabinets for [REDACTED] support staff                                                                                       | 533              |
| Program Costs   | 11                        | FO Premises, flashlights, bank maintenance charges, office air conditioner, chairs, desks, cabinets, external hard drive and coaxial cable | 1,454            |
| <b>Totals</b>   | <b>135</b>                |                                                                                                                                            | <b>\$ 18,407</b> |

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Criteria:**

[REDACTED] **Country Office Finance Manual, Section 2.2.3 – Posting attributes**, states in part:

*"A source of funds is a specific source of income requiring tracking and reporting. This is an eight digit code and the first three digits identify the member country providing the funds, with the other five uniquely identifying the award. A SOF code is required for all income & expenditure transactions and some balance sheet transactions..."*

*... It is important to note that [REDACTED] grant management system [REDACTED] will hold the member legacy SOF code but will also assign a new [REDACTED] code. For coding transactions the [REDACTED] code should be used."*

[REDACTED] **Country Office Finance Manual, Section 2.9 – Disallowable Expenditure**, states in part:

**"Definitions and explanations**

*There may be occasions when expenditure is charged to an award and it is later discovered that this expenditure is not permitted within the award rules. This is known as disallowable expenditure. In this situation the transaction should be allocated to another appropriate source of funds. The transfer needs to be authorized by the Budget Holder of the source of funds being allocated the expenditure (receiving Budget Holder).*

*If another appropriate source of funds cannot be identified within the country budget, then the Country Director should absorb the expenditure into the overhead (account code 7515 – award disallowed expenditure). If this is not possible they should seek advice from the Regional Finance Director...*

*... All material re-allocations require the written approval of the Country Director. As Country Office budgets vary, each country should agree and document what is material, in consultation with the Regional Finance Director.*

*If the disallowed expenditure is identified within the financial year, the Country Director will need to manage the overspend. If the country is unable to remain within budget, a report detailing the reasons why must be submitted to the Regional Director and Regional Finance Director. The transaction must be flagged as disallowed.*

*If the disallowed expenditure dates back more than one year, the Country Director should contact the Regional Director and Regional Finance Director for advice."*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**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;*
- (h) Cost must be incurred during the approved budget period..."*

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

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

- (1) Is incurred specifically for the Federal award;*
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart...*

*(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies..."*

**2 CFR 200.451, Losses on other awards or contracts, states in part:**

*"Any excess of costs over income under any other award or contract of any nature is unallowable... Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable..."*

**Cause:** [REDACTED] management allowed the improper practice of allocating funds from one program, when there's a budget constraint, to another program and allowed its country offices to reallocate costs designated for other awards to the award under audit based on the following:

- 1) [REDACTED] justified this practice, stating that country offices have overlapping cost activities related to their on-going awards. [REDACTED] indicated that the award under audit was considered to be a "follow-on" award to a previous award as it was considered to serve the same agreement purpose. As such, it is [REDACTED] stance that costs incurred and designated for a prior award should be allocable to the award under audit.
- 2) [REDACTED] indicated they had incurred costs in excess of the approved budget lines for the UNOCHA award. [REDACTED] management determined that the proper resolution was to reallocate the costs from UNOCHA to the award under audit.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

**Effect:** Improper accounting practice and management oversight of the reallocation of costs specifically designated to certain awards could cause the U.S. Government to fund items that should not have been funded and may inappropriately inflate costs charged to the Agreement. It also undermines the validity and accuracy of [REDACTED] invoice submissions.

**Questioned Costs:** Ineligible costs identified totaled \$42,123, of which \$7,488 represents associated indirect costs. See details below.

| Issue Ref No. | Cost Category       | Samples Impacted | Ineligible Costs | Associated Indirect Costs | Total Ineligible Costs |
|---------------|---------------------|------------------|------------------|---------------------------|------------------------|
| 1             | Fringe Benefits     | 2                | \$ 5,000         | \$ 1,082                  | \$ 6,082               |
|               | Travel and Per Diem | 6                | 1,426            | 308                       | 1,734                  |
|               | Equipment           | 1                | 1,227            | 265                       | 1,492                  |
|               | ODC                 | 5                | 6,159            | 1,332                     | 7,491                  |
|               | Program Costs       | 4                | 2,416            | 523                       | 2,939                  |
|               | <b>Subtotal</b>     | <b>18</b>        | <b>16,228</b>    | <b>3,510</b>              | <b>19,738</b>          |
| 2             | Direct Labor        | 120              | 14,567           | 3,148                     | 17,715                 |
|               | Fringe Benefits     | 3                | 1,853            | 401                       | 2,254                  |
|               | Equipment           | 1                | 533              | 115                       | 648                    |
|               | Program Costs       | 11               | 1,454            | 314                       | 1,768                  |
|               | <b>Subtotal</b>     | <b>135</b>       | <b>18,407</b>    | <b>3,978</b>              | <b>22,385</b>          |
| <b>Totals</b> |                     | <b>153</b>       | <b>\$ 34,635</b> | <b>\$ 7,488</b>           | <b>\$ 42,123</b>       |

*Note: NICRA rate used for costs charged between January 1, 2019 and December 31, 2019 was [REDACTED] and the rate used for costs between January 1, 2020 and March 23, 2021 was [REDACTED]*

**Recommendation:**

- 1) We recommend that [REDACTED] provide evidence and sufficient justification to demonstrate that these costs were 100% allowable and allocable to the Award, or return \$42,123 of ineligible costs to the U.S. Government.
- 2) We recommend that [REDACTED] management develop and implement control policies pertaining to "follow-on" awards that specifically disallow costs incurred under previous federal awards to be subsequently charged to a later award when the budget for the prior project is exceeded.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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- 3) We recommend that [REDACTED] management revise its current Finance Manual to explicitly address the issue of budget constraints to ensure that costs among different programs are not to be commingled and allocated from one program to another program.
- 4) We recommend that [REDACTED] staff and management perform all necessary procedures pertaining to the reallocation of costs to ensure validity and accuracy of cost recording and invoice submissions.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

**Finding 2022-02:** [REDACTED] did not Reimburse the Indirect Costs Associated with Disallowed Costs Identified in a USAID Foreign Recipient Audit

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

**Condition:** [REDACTED] self-disclosed results from a USAID Foreign Recipient audit conducted by [REDACTED] on the agreement under audit for the year ended December 31, 2020. The audit identified a number of transactions pertaining to the year ended December 31, 2019 that were charged to the SOF assigned to this Agreement ([REDACTED] 84006040) in the year 2020. Upon [REDACTED] inspection of underlying documentation, [REDACTED] noted that total costs of \$17,899 were incurred prior to the Agreement start date or were unrelated to the Agreement. [REDACTED] provided the following detailed analysis of the costs questioned in the report:

| Cost Category      | Questioned Costs |
|--------------------|------------------|
| Direct labor       | \$ 15,098        |
| Fringe benefits    | 1,306            |
| Other direct costs | 1,428            |
| Program costs      | 13               |
| <b>Total</b>       | <b>\$ 17,899</b> |

[REDACTED] reimbursed the amounts identified by [REDACTED] to USAID. However, Conrad noted [REDACTED] did not reimburse USAID for the associated indirect costs as they were not identified in [REDACTED] finding. Furthermore, Conrad noted that [REDACTED] did not remove the questioned items from its SPFS. As such, we are questioning the reimbursed amount of \$17,899 and the \$3,866 in the associated indirect costs related to the [REDACTED] finding.

**Criteria:**

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

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*
- (g) Be adequately documented;*
- (h) Cost must be incurred during the approved budget period..."*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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

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

- (1) Is incurred specifically for the Federal award;*
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart...*

*...(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies..."*

**2 CFR 200.410, Collection of unallowable costs**, states:

*"Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise."*

**2 CFR 200.451, Losses on other awards or contracts**, states in part:

*"Any excess of costs over income under any other award or contract of any nature is unallowable... Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable. All losses are not allowable indirect (F&A) costs and are required to be included in the appropriate indirect cost rate base for allocation of indirect costs."*

**Cause:** [REDACTED] did not have a policy that required it to refund indirect costs associated with identified unallowable direct costs. Additionally, prior to the submission of the Project's final quarterly report, [REDACTED] had reached its indirect cost budget ceiling and [REDACTED] states that if they were to reimburse USAID for the indirect costs related to the [REDACTED] finding, those costs would be replaced by the final quarters' unrecoverable indirect costs.

**Effect:** By not having an adequate refund policy for indirect costs in place, the indirect costs charged to the Agreement were overstated and the funding agency was not reimbursed the appropriate amount for the finding identified by [REDACTED].

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Questioned Costs:** While [REDACTED] has reimbursed USAID for the items identified by [REDACTED], they did not remove the questioned items from their SPFS. Therefore, in order to properly reconcile the SPFS, we are questioning \$17,899. We are also questioning the associated indirect costs. The NICRA rate for costs incurred between January 1, 2020 and March 23, 2021 was [REDACTED]%, which is applicable to the [REDACTED] report period. As such, ineligible associated indirect costs identified totaled \$3,866.

**Recommendation:**

- 1) We recommend that [REDACTED] provide evidence to demonstrate how indirect costs related to the unallowable costs were never charged to the U.S. Government, or return \$3,866 to the U.S. Government.
- 2) We recommend that [REDACTED] develop and implement a policy that requires associated indirect costs to be refunded to the U.S. Government along with any unallowable costs identified.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

**Finding 2022-03: Missing or Insufficient Direct Labor Source Documentation and Employee Timesheets Approved and/or Submitted prior to Pay Period End**

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

**Condition:** Conrad tested 405 Direct Labor transactions valued at \$169,582 out of a population of 13,192 transactions valued at \$1,521,565 to determine if the Direct Labor costs incurred under the Award were adequately supported, accurate, allowable, and properly approved. Based on our testing, we noted:

- 1) Nine (9) instances of missing or insufficient source documentation, such as missing timesheets, related project employment contracts and/or salary increment letters, and insufficient justification supporting an employee's level of effort rate. These items resulted in unsupported costs of \$8,224 as illustrated below:

| Issue Type                                                                                                                                         | Samples Impacted | Questioned Cost |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|
| (a) Missing timesheets                                                                                                                             | 2                | \$ 5,835        |
| (b) Missing employment contracts and/or a salary increment letters for three (3) sampled employees – for the period(s) April 2020 and August 2020. | 6                | 953             |
| (c) Percentage level of effort charged was greater than the level of effort on the timesheet.                                                      | 1                | 1,436           |
| <b>Totals</b>                                                                                                                                      | <b>9</b>         | <b>\$ 8,224</b> |

- 2) Thirty-three (33) instances where employee timesheets were approved and/or submitted prior to pay period end. This resulted in unsupported costs of \$2,786 as illustrated below:

| Title      | Pay Period End | Date & Time Submitted     | Date & Time Approved     | # of Hours in Question | Questioned Amount |
|------------|----------------|---------------------------|--------------------------|------------------------|-------------------|
| [REDACTED] | 4/30/2020      | 4/29/2020 at 7:45am AFT   | 4/30/2020 at 7:31am AFT  | 13                     | \$ 74             |
| [REDACTED] | 12/31/2020     | 12/23/2019 at 3:06pm AFT  | 12/23/2019 at 3:07pm AFT | 5                      | 50                |
| [REDACTED] | 10/31/2019     | 10/30/2019 at 10:55am AFT | 10/31/2019 at 3:10pm AFT | 16                     | 127               |

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

|            |            |                              |                              |    |     |
|------------|------------|------------------------------|------------------------------|----|-----|
| [REDACTED] | 10/31/2019 | 10/30/2019 at<br>4:24pm AFT  | 10/30/2019 at<br>4:57pm AFT  | 8  | 134 |
| [REDACTED] | 10/31/2019 | 10/30/2019 at<br>9:10am AFT  | 10/30/2019 at<br>10:11am AFT | 8  | 64  |
| [REDACTED] | 4/30/2020  | 4/29/2020 at<br>6:43am AFT   | 4/29/2020 at<br>6:56am AFT   | 13 | 48  |
| [REDACTED] | 10/31/2019 | 10/30/2019 at<br>8:59am AFT  | 10/30/2019 at<br>9:08am AFT  | 16 | 104 |
| [REDACTED] | 4/30/2020  | 4/29/2020 at<br>6:45am AFT   | 4/29/2020 at<br>7:10pm AFT   | 13 | 86  |
| [REDACTED] | 4/30/2020  | 4/29/2020 at<br>7:30am AFT   | 4/29/2020 at<br>9:15am AFT   | 13 | 98  |
| [REDACTED] | 10/31/2019 | 10/30/2019 at<br>11:59am AFT | 10/30/2019 at<br>12:04pm AFT | 16 | 118 |
| [REDACTED] | 4/30/2020  | 04/29/2020 at<br>7:31am AFT  | 4/29/2020 at<br>7:37am AFT   | 13 | 94  |
| [REDACTED] | 4/30/2020  | 4/29/2020 at<br>6:52am AFT   | 4/29/2020 at<br>8:24am AFT   | 13 | 70  |
| [REDACTED] | 4/30/2020  | 4/29/2020 at<br>10:22am AFT  | 4/29/2020 at<br>11:11am AFT  | 1  | 28  |
| [REDACTED] | 10/31/2019 | 10/30/2019 at<br>10:05am AFT | 10/30/2019 at<br>10:08am AFT | 16 | 64  |
| [REDACTED] | 4/30/2020  | 4/29/2020 at<br>6:42am AFT   | 4/29/2020 at<br>6:50am AFT   | 13 | 48  |
| [REDACTED] | 12/31/2019 | 12/31/2019 at<br>6:33am AFT  | 12/31/2019 at<br>7:21am AFT  | 8  | 27  |
| [REDACTED] | 8/31/2020  | 8/31/2020 at<br>9:20am AFT   | 8/31/2020 at<br>10:03am AFT  | 8  | 22  |
| [REDACTED] | 4/30/2020  | 4/30/2020 at<br>8:32am AFT   | 4/30/2020 at<br>9:05am AFT   | 8  | 270 |
| [REDACTED] | 6/30/2020  | 6/30/2020 at<br>5:27am AFT   | 6/30/2020 at<br>5:32am AFT   | 8  | 190 |
| [REDACTED] | 12/31/2019 | 12/31/2019 at<br>4:08am AFT  | 12/31/2019 at<br>9:14am AFT  | 8  | 37  |
| [REDACTED] | 8/31/2020  | 8/31/2020 at<br>5:18am AFT   | 8/31/2020 at<br>9:16am AFT   | 8  | 47  |
| [REDACTED] | 12/31/2019 | 12/31/2019 at<br>4:39am AFT  | 12/31/2019 at<br>4:50am AFT  | 8  | 44  |

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

|              |            |                              |                              |     |                 |
|--------------|------------|------------------------------|------------------------------|-----|-----------------|
| [REDACTED]   | 8/31/2020  | 8/31/2020 at<br>7:05am AFT   | 8/31/2020 at<br>7:08am AFT   | 8   | 45              |
| [REDACTED]   | 10/31/2019 | 10/31/2019 at<br>10:34am AFT | 10/31/2019 at<br>11:01am AFT | 8   | 32              |
| [REDACTED]   | 12/31/2019 | 12/31/2019 at<br>5:50am AFT  | 12/31/2019 at<br>9:06am AFT  | 8   | 38              |
| [REDACTED]   | 10/31/2019 | 10/31/2019 at<br>9:52am AFT  | 10/31/2019 at<br>10:25am AFT | 8   | 53              |
| [REDACTED]   | 12/31/2019 | 12/31/2019 at<br>9:39am AFT  | 12/31/2019 at<br>11:44am AFT | 8   | 31              |
| [REDACTED]   | 4/30/2020  | 4/30/2020 at<br>8:13am AFT   | 4/30/2020 at<br>8:22am AFT   | 6.5 | 44              |
| [REDACTED]   | 12/31/2019 | 12/31/2019 at<br>4:40am AFT  | 12/31/2019 at<br>5:35am AFT  | 8   | 22              |
| [REDACTED]   | 8/31/2020  | 8/31/2020 at<br>5:24am AFT   | 8/31/2020 at<br>5:29am AFT   | 8   | 20              |
| [REDACTED]   | 12/31/2019 | 12/25/2019 at<br>6:27am AFT  | 12/25/2019 at<br>7:46am AFT  | 20  | 336             |
| [REDACTED]   | 4/30/2020  | 4/26/2020 at<br>4:57am AFT   | 4/26/2020 at<br>9:53am AFT   | 16  | 249             |
| [REDACTED]   | 12/31/2019 | 12/16/2019 at<br>5:16pm AFT  | 12/18/2019 at<br>5:02am AFT  | 2   | 72              |
| <b>Total</b> |            |                              |                              |     | <b>\$ 2,786</b> |

**Criteria:**

**[REDACTED] – Afghanistan Human Resources Manual/Handbook, states in part:**

*“Section 5.b – Effort Report (Timesheets): Staff paid by Country Office: Timesheets are kept in the electronic system maintained by finance department, the finance team reviews actual effort against funding sources charged to ensure accuracy...”*

*Section 6.10 – Personnel File: HR Department in Country Office is responsible for creating and maintaining the personnel files of all employees. The original copy of all staff personnel files will be kept where the file is originated, and a copy of the file (hard and scanned) will be shared with CO for filing. Provincial HR staff or designated HR persons are responsible for maintaining all original documents of personnel files and share those with CO only for specific and audit reasons.”*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Procedure: Effort Reporting Policy**, states in part:

*"Section 2.1 – Timescale for completion and approval of timesheets based on actual hours: On the last day of the month, employees log in to make updates and submit their timesheets. Line managers must log in between the 1st and 3rd working day of the new month, at least once a day, and in response to any e-mail notifications. They must check and then approve or reject the submitted timesheets..."*

*Section 2.9 – Definition of Actual Hours: Actual hours (actual effort worked) is defined as the total number of hours worked per day, week, month or year. Actual hours should include all hours spent on work activities, whether at the regular place of work or not, including work done at other workplace offices or at home..."*

*Section 3.2 – Employee: Employees are responsible for recording their working hours online throughout the month and submitting their finalized timesheet for their line manager's approval on the last day of the month..."*

*Section 3.4 – Line Managers: Line managers must check timesheets in a timely manner before the end of the 3rd working day of the month, and:*

- Reject submitted timesheets, giving appropriate and suitable detailed comments if hours worked or codes are incorrect.*
- Approve the submitted timesheets if all agreed hours worked have been recorded and the correct Project, SOF, Cost Centre and DEA codes have been used.*
- Check that any Annual Leave recorded agrees to the in country HR leave records. If not the timesheet should be rejected and either the timesheet or HR records corrected*
- Review the performance of employees if working hours are different to the agreed work plan, over a longer period of time.*
- Follow up with their direct reports on any timesheets which are submitted late or not at all.*
- Liaise with HR regarding any sanctions that may have to be applied in the case of persistent non-submission or late submission, if there are no extenuating circumstances."*

**Country Office Finance Manual, Section 12.3.3 – Document Retention**, states in part:

*"The [REDACTED] document retention requirements are defined in the Data Protection and Document Retention Policy, Section 3. While the minimum retention period is 6 years, it may be longer."*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**2 CFR 200.334, Retention requirements for records**, states in part:

*"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."*

**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;*

*(h) Cost must be incurred during the approved budget period..."*

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

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

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

**2 CFR 200.430, Compensation-personal services**, states the following:

*"(a) General...Costs of Compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:*

*(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;*

*(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and*

*(3) Is determined and supported as provided in paragraph (1) of this section, Standards for Documentation of Personnel Expenses, when applicable..."*

**Cause:** The following causes were identified:

- 1) [REDACTED] staff did not properly maintain/retain timesheets or personnel files in accordance with their policies.
- 2) [REDACTED] did not perform review procedures that would have prevented an employee's salary from being charged at an incorrect level of effort rate.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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- 3) [REDACTED] allows employees to submit and supervisors to approve timesheets prior to the end of a pay period in order to process payroll on a timely basis. [REDACTED] explained that they allow employees to submit their timesheets prior to pay period because some employees are designated to exclusively work full-time on the Award under audit and charge 100% of hours worked to the Award. However, [REDACTED] does not perform, nor does it have formal procedures to review the accuracy of timesheets that were submitted and approved prior to the end of the pay period. [REDACTED] policies are silent with respect to compensating controls related to the early submission of timesheets.

**Effect:** [REDACTED] inability to provide support documentation to substantiate the labor charges claimed under the Award increases the risk that labor costs charged may not have been incurred, resulting in labor costs that are higher than the allowable rate, or labor costs that are not related to the Program. In addition, [REDACTED] lack of policies and formal compensating controls to verify timesheet accuracy in the event of early submission and approval can potentially result in time being incorrectly charged to the Program, as it could cause the U.S. Government to fund items that should not have been funded and may inappropriately inflates costs charged to the Agreement.

**Questioned Costs:** Unsupported questioned costs identified totaled \$11,010, of which \$2,380 represents associated Indirect Costs.

**Recommendation:**

- 1) We recommend that [REDACTED] provide evidence and sufficient justification to demonstrate that these costs were 100% allowable and allocable to the Award, or return \$13,390 in questioned unsupported costs.
- 2) We recommend that [REDACTED] develop additional policies for supervisor and management review to ensure adherence to the record retention policies outlined in their Finance Manual and in the Federal Regulations.
- 3) We recommend that [REDACTED] develop and implement additional review procedures that will prevent an employee's salary from being charged at an incorrect level of effort rate.
- 4) We recommend that [REDACTED] revise current policies and procedures to cover early submission and approval of timesheets to include compensating controls to ensure staff time entered is accurate when employee submits and supervisor approves timesheets prior to the period end.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Finding 2022-04: Incurred Costs Related to Multiple Awards Were Allocated Entirely to the Award**

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

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

1) Travel and Per Diem

Conrad tested 37 Travel and Per Diem transactions valued at \$13,661 out of a population of 574 transactions valued at \$56,381. During our testing, we noted the following issues:

- a) For five (5) samples tested, the support documentation provided indicated that the purpose of travel was to Participate in Extended Senior Management Team (ESMT) Meeting in [REDACTED] (CO). ESMT meetings cover all active [REDACTED] awards, but the costs were incorrectly allocated entirely to the Program. According to [REDACTED] ESMT has oversight on CO overall portfolio and operations, so all active awards were part of the ESMT discussions. Costs incurred were related to staff flights, per diem allowances, and guest house accommodations, which were charged 100% to the project under audit. As the ESMT meetings are to discuss all active awards and is a general oversight of the overall portfolio, costs should have been allocated to all active awards. This resulted in questioned costs in the amount of \$1,951.
- b) For one (1) sample tested, the support documentation provided indicated that the purpose of the travel was for the [REDACTED]. These costs were related to support staff that work on multiple awards but the costs were incorrectly allocated entirely to the Program. As the support staff work for multiple awards, the cost should have been allocated to all appropriate awards. This resulted in questioned costs in the amount of \$310.
- c) For two (2) samples tested, the support documentation provided indicated that the purpose of travel was for the [REDACTED] to conduct a field visit in support of all [REDACTED] awards. These costs were incorrectly charged entirely to the Program and should have been allocated among all [REDACTED] awards. Upon further review of the support documentation, it was noted that 100% of the cost was charged to the project under audit. As the field visit was to support all project awards, the cost should have been allocated to all appropriate awards. This resulted in questioned costs in the amount of \$310.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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- d) For one (1) sample tested, the support documentation indicated that the purpose of the travel was for [REDACTED]. This training was conducted by an officer who oversees HR/Admin related issues for all awards. However, the costs were incorrectly allocated entirely to the Program. As the field visit was to support all awards, the cost should have been allocated to all appropriate awards. This resulted in questioned costs in the amount of \$264.

2) Other Direct Costs ("ODC")

Conrad tested 50 ODC transactions valued at \$87,782 out of a population of 3,165 transactions valued at \$315,273. For three (3) samples tested, the expenses were related to bank charges from a bank account utilized for all on-going [REDACTED] awards in Afghanistan. [REDACTED] indicated during fieldwork that there are multiple on-going operations in Afghanistan and that their practice is to allocate bank charges among the multiple awards operating in Afghanistan. However, [REDACTED] was unable to provide expense and allocation support that the costs charged for the sampled months of September 2019 and October 2019 were not charged 100% to the award under audit. This resulted in questioned costs in the amount of \$4,891.

**Criteria:**

**[REDACTED] Cost Allocation Methodology Procedures, Section 5 Cost Categories and Considerations for the Calculation of CAM, states in part:**

**"Shared direct costs**

*Shared direct costs are incurred for multiple objectives to provide support to all awards in the implementing office. These costs can occur at both field office location and country office locations and once posted to the Shared Cost SOF1 will be proportionately and directly allocable to the awards as determined by the monthly cost allocation calculation. These costs are still necessary for programme delivery (for example Country Office security or general staff training) but where specific itemization to individual awards would require disproportionate workload. Such costs will be allocated by the system based CAM, to the relevant awards in the following 7 cost categories:*

1. International salaries;
2. National salaries;
3. Non-salary benefits;
4. Vehicle and transportation costs;
5. Travel & lodging;
6. Premises; and
7. Other...

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Cost Charging Protocol**

1. *Wherever necessary for program delivery, support costs should be directly charged to one or several awards as standard direct costs.*
2. *If it is not possible to charge costs as standard direct to one or several awards, if the costs are donor compliant and related to all awards in a Country Office, the costs should be split between all awards by the CAM as shared direct costs...*

[REDACTED] **Cost Allocation Methodology Procedures, Section 6 Cost Allocation Calculation**, states in part:

*"Awards must be budgeted with an appropriate amount of shared direct costs to enable [REDACTED] to implement the award. To allocate shared direct costs appropriately to each award, a 'cost allocation driver' is used, and is expressed as a percentage."*

[REDACTED] **Cost Allocation Methodology Procedures, Section 9 Steps to Apply the Cost Allocation Methodology**, states in part:

**"Review Postings**

- a) *Running and reviewing the EXP02 report in Agresso.*  
*EXP02 – Pre-CAM review report*
  - I. *Finance reviews the Summary tab which shows the current CAM allocations based on costs posted for that period to ensure there is nothing unexpected, i.e. i) a SOF receiving a higher or lower allocation of shared direct costs than expected, ii) awards with direct spend in Cost Centres which they are not being implemented, iii) any material negative spend iv) any other irregularities for further investigation...*
  - IX. *Review All Shared transactions tabs, and do the following:*
    - *Finance must recode costs that are not eligible to be shared. For example, field office vehicle and premises costs which should be directly charged. Finance would need to consult with the Budget Holder to identify the correct award(s) for reallocation of costs.*
    - *Finance must check for costs that have been posted to the wrong cost centre and recode them to the correct one (e.g. where the rental cost for an area/hub office is posted under the Country Office Cost Centre).*
    - *Finance review the All CAM DEA transactions tab in the EXP02 report, for any costs posted to the "Other" CAM DEA, as we need to ensure that the costs posted here are accurate and allowable for this category, which will primarily entail bank charges...*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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*The "Pre-CAM Review" function should be performed at least weekly throughout the month by Finance and any costs posted in error to the Shared Cost SOF, should be corrected during the month. For the Pre-CAM Report to be useful to Budget Holders, all expenses should be booked in Agresso before Soft Close. This period of review gives the Awards team and the Budget Holders an opportunity to start communications with each other and the Members to ensure donor compliance and financial report accuracy. These review, approval, and posting tasks should be performed before Soft Close. The Country Finance Director (CFD) is accountable for reviewing and approving the transactions in the Shared Cost SOF. After final hard close review, the 'All Shared transactions' tab must be printed and signed by the CFD and filed along with copies of the original Shared SOF transactions in each period..."*

**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;*
- (h) Cost must be incurred during the approved budget period..."*

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

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

- (1) Is incurred specifically for the Federal award;*
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart...*

*(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies..."*

**Cause:** [REDACTED] did not apply the necessary allocation procedures for shared costs to ensure that costs related to multiple awards were properly allocated among all applicable awards based on the following:

- 1) [REDACTED] ignored its shared cost policy and allocated 100% of travel expenses to the Program. [REDACTED] management did not follow their cost allocation procedures. [REDACTED] justified the allocation noting that the Program's approved budget had funds available for staff travel.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

- 2) [REDACTED] did not provide support for September and October 2019 bank charges. In lieu of support, [REDACTED] provided documentation for December 2021 to demonstrate they were allocating bank charges among multiple programs. [REDACTED] reasoned that since the bank charges in subsequent months were reasonably allocated between all awards, it was justifiable to fully allocate the bank charges to the Award for the months in question.

**Effect:** [REDACTED] charged the government for costs that should have been shared among all of [REDACTED] awards. The lack of adequate performance of controls to demonstrate and justify proper allocation of expenses increases the risk that [REDACTED] may have charged the Award for costs that are related to multiple awards and that U.S. Government funds under each of the affected awards are not used for the intended purpose.

**Questioned Costs:** Unsupported questioned costs identified totaled \$9,397, of which \$1,671 represents associated Indirect Costs. See details below.

| Issue Ref No. | Cost Category       | Samples Impacted | Unsupported Costs | Associated Indirect Costs | Total Unsupported Costs |
|---------------|---------------------|------------------|-------------------|---------------------------|-------------------------|
| 1             | Travel and Per Diem | 9                | \$ 2,835          | \$ 613                    | \$ 3,448                |
| 2             | ODC                 | 3                | 4,891             | 1,058                     | 5,949                   |
| <b>Totals</b> |                     | <b>12</b>        | <b>\$ 7,726</b>   | <b>\$ 1,671</b>           | <b>\$ 9,397</b>         |

*Note: NICRA rate used for costs charged between January 1, 2019 and December 31, 2019 was [REDACTED] and the rate used for costs between January 1, 2020 and March 23, 2021 was [REDACTED]*

**Recommendation:**

- 1) We recommend that [REDACTED] provide evidence and sufficient justification to demonstrate that these costs were 100% allowable and allocable to the Award, or return \$9,397 of unsupported costs to the U.S. Government.
- 2) We recommend that [REDACTED] develop and implement additional policies and procedures for supervisory and management review to ensure strict adherence to the cost allocation methodology controls and adequately document all applicable cost transaction details to appropriately justify the allocation of expenses.

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

**Finding 2022-05:** [REDACTED] **did not adhere to the required Procurement Processes**

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

**Condition:** Conrad tested 37 Travel and Per Diem transactions valued at \$13,661 out of a population of 574 transactions valued at \$56,381 and 28 Program Costs transactions valued at \$840,701 out of a population of 2,768 transactions valued at \$2,737,447 to ensure transactions properly adhered to the procurement policies and procedures. Conrad identified five (5) transactions where [REDACTED] did not follow its Single Quotation Sourcing Procedures which require obtaining three competitive quotes, preparing a comparative bid analysis, and receiving approval from the budget holder. These transactions are as follows:

| Cost Category       | Samples Impacted | Transaction Description          | Unsupported Costs |
|---------------------|------------------|----------------------------------|-------------------|
| Travel and Per Diem | 2                | Guest house/hotel accommodations | \$ 998            |
| Program Costs       | 1                | Assessment surveyors             | 3,979             |
| Program Costs       | 2                | Vehicle rental                   | 1,230             |
| <b>Totals</b>       | <b>5</b>         |                                  | <b>\$ 6,207</b>   |

**Criteria:**

[REDACTED] **Global Procurement Manual**, states in part:

*"Section 4.2 – Sourcing Procedures: Sourcing Thresholds are set globally, and if required due to local context, COs can request adapted Thresholds. These must be approved by the Regional Supply Chain Lead and Global Head of Procurement." [Auditor note: This section contains a detailed diagram which details the necessary procedures to be taken for sourcing thresholds <\$100 to >\$100,000. Below is a summary of the required procurement documentation for the sourcing threshold related to the questioned transactions]:*

**Transaction Amount: (<\$100) – Cash & Receipt Sourcing Procedure**

- *If there are multiple purchases under \$100 with the same supplier, which in total add up to more than \$100, a Sourcing Procedure must be completed in line with the Sourcing Thresholds...*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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*Transaction Amount: (\$1,001 - \$10,000) – Single Quotation Sourcing Procedure*

- *Supplier Pool: FWA Suppliers (Registered Suppliers if no FWA suppliers available)*
- *No minimum response period*
- *Minimum # of Bids: 3*
- *Evaluation Method: Email/Simple Comparison*
- *Supplier Award Approval: Budget Holder (by email)*
- *Sourcing Outcome: Purchase Order/Short Form Contract/FWA*
- *Sourcing Outcome Approval: Supply Chain & Financial + Legal, if applicable*
- *Vetting: Yes*

*"Section 11 – Document Retention & Procurement File: A Procurement File for all Sourcing Procedures must be created and retained for 7 years (or longer if required by the donor or local law)."*

*"Section 11.1 – Procurement File Checklist: Single Quotation includes PR, Email Inviting Suppliers to Bid, Supplier Responses, Budget Holder Approval for Award, and PO."*

**[REDACTED] Global Procurement Manual, Section 5.1 – Supplier Evaluation Key Principles,** states in part:

*"Suppliers must be evaluated against pre-defined Evaluation Criteria and scored objectively. The Essential Criteria should be applied to all Sourcing Procedures. Competitive Bid Analysis and Procurement Committees are mandatory for Formal Quotations and Open Tenders. Notes from the supplier evaluation must be kept and stored in the Procurement File for audit purposes."*

**[REDACTED] Global Procurement Manual, Section 9.3 – Acceptable Exceptions to Sourcing Thresholds & Procedures,** states in part:

*"A Formal Quotation is acceptable for Utilities, Internet Service Providers, Fuel, Rent/Property Leasing, Hotels/Guest Houses, Restaurants and Livestock."*

**[REDACTED] Global Procurement Manual, Section 10.1 – Key Contracting Principles,** states in part:

*"All purchases over \$100 (irrespective of whether a Waiver has been obtained) must:*

- *Be documented using an unamended [REDACTED] Contractual Template (a Purchase Order, Contract or FWA)."*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Agreement, Section 1.6 – Procurement and Contracting**, states in part:

*“(a) General*

- (1) Applicability – This Section applies to the procurement of goods and services by the Recipient using USAID funds provided hereunder.*
- (2) Noncompliance – Failure of the Recipient to comply with the requirements set forth herein may result in disallowance of costs in accordance with 2 CFR 200.403.*
- (3) General Procurement Requirements – The Recipient shall comply with the general procurement requirements prescribed in 2 CFR 200.317–326, including Subpart E – Cost Principles of 2 CFR 200.”*

**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 200.318(i), General procurement standards**, state in part:

*“The Non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.”*

**2 CFR 200.334, Retention requirements for records**, states in part:

*“Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report...”*

**2 CFR 200.404, Reasonable costs**, states in part:

*“A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:...*

*(c) Market prices for comparable good or services for the geographic area...*

*(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.”*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

**Cause:** [REDACTED] lacked adequate management review over procured goods and services. Furthermore, [REDACTED] did not adhere to its own procurement processes to ensure that proper documentation was obtained and retained to show goods and/or services were competitively procured in accordance with the company procurement policies and procedures.

**Effect:** Lack of adherence to procurement policies and procedures to ensure competitive vendor/supplier selection can result in the acquisition of goods and/or services at inflated costs to the U.S. Government and can increase the risk of fraud, waste, and abuse.

**Questioned Costs:** Unsupported questioned costs identified totaled \$7,548, of which \$1,341 represents associated Indirect Costs.

| Issue Ref No. | Cost Category       | Samples Impacted | Unsupported Costs | Associated Indirect Costs | Total Unsupported Costs |
|---------------|---------------------|------------------|-------------------|---------------------------|-------------------------|
| 1             | Travel and Per Diem | 2                | \$ 998            | \$ 216                    | \$ 1,214                |
| 2             | Program Costs       | 3                | 5,209             | 1,125                     | 6,334                   |
| <b>Totals</b> |                     | <b>5</b>         | <b>\$ 6,207</b>   | <b>\$ 1,341</b>           | <b>\$ 7,548</b>         |

**Recommendation:**

- 1) We recommend that [REDACTED] provide evidence to demonstrate that goods and/or services were competitively procured, or return \$7,548 of unsupported costs to the U.S. Government for which there was a lack of adherence with procurement procedures.
- 2) We recommend that [REDACTED] develop procedures to improve supervisory review and controls to follow its procurement manual and document procurement efforts to ensure vendors/suppliers are competitively selected for goods and/or services.

(Continued)

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

**Finding 2022-06:** [REDACTED] **Self-Disclosed an Internal Violation of [REDACTED]**  
**[REDACTED] Procurement Processes related to Two Vehicle Rental Contracts**

**Nature of Finding:** Non-Compliance (Fraud); Internal Control – Significant Deficiency

**Condition:** Based on our inquiries with [REDACTED] we noted that there were two vehicle rental contracts that did not go through a proper competitive bid process, which was in violation of the [REDACTED] procurement policies and procedures. [REDACTED] indicated that this violation was investigated, and the conclusions determined that the contracts were not procured in a manner consistent with the policies and procedures, which resulted in [REDACTED] disallowing the total impacted cost of \$4,306.

Further inquiries with [REDACTED] management noted that the total impacted costs in question were reimbursed to USAID. However, upon review of the reimbursement support and our follow up inquiries with [REDACTED] it was noted that associated indirect costs of \$930 were not calculated and reimbursed for the finding.

**Criteria:**

[REDACTED] **Global Procurement Manual**, states in part:

*"Section 4.2 – Sourcing Procedures: Sourcing Thresholds are set globally, and if required due to local context, COs can request adapted Thresholds. These must be approved by the Regional Supply Chain Lead and Global Head of Procurement..." [Auditor note: This section contains a detailed diagram which details the necessary procedures to be taken for sourcing thresholds <\$100 to >\$100,000. Below is a summary of the required procurement documentation for the sourcing threshold related to the vehicle rental transactions]:*

**Transaction Amount: (\$1,001 - \$10,000) – Simple Quotation Sourcing Procedure**

- *Supplier Pool: FWA Suppliers (Registered Suppliers if no FWA suppliers available)*
- *No minimum response period*
- *Minimum # of Bids: 3*
- *Evaluation Method: Email/Simple Comparison*
- *Supplier Award Approval: Budget Holder (by email)*
- *Sourcing Outcome: Purchase Order/Short Form Contract/FWA*
- *Sourcing Outcome Approval: Supply Chain & Financial + Legal, if applicable*
- *Vetting: Yes"*

*"Section 11 – Document Retention & Procurement File: A Procurement File for all Sourcing Procedures must be created and retained for 7 years (or longer if required by the donor or local law)."*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**2 CFR 200.318(i), General procurement standards states:**

*"The Non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."*

**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 200.404, Reasonable costs, states in part:**

*"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:..."*

*(c) Market prices for comparable good or services for the geographic area;*

*(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees...and the Federal Government;*

*(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."*

**Cause:** [REDACTED] stated that there were procurement irregularities that occurred within [REDACTED] internal processes causing a failure to obtain competitive bids for the two vehicle contracts noted. [REDACTED]

[REDACTED]. According to [REDACTED] this situation was disclosed to USAID.

**Effect:** Lack of adherence to procurement policies and procedures to ensure competitive vendor/supplier selection can result in the acquisition of goods and/or services at inflated costs to the U.S. Government and can increase the risk of fraud, waste, and abuse.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Questioned Costs:** [REDACTED] reimbursed USAID the full amount of \$4,306 in March 2022 pursuant to our review of support documentation provided. However, the associated indirect costs were not calculated and reimbursed for the finding. Therefore, only the associated indirect costs of \$930 are reported as questioned costs.

**Recommendation:**

- 1) We recommend that [REDACTED] provide sufficient evidence to demonstrate that associated indirect costs related to the issue identified were reimbursed, or return \$930 in associated indirect costs.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

**Finding 2022-07:** [REDACTED] did not adhere to its internal Travel Policies and Procedures

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

**Condition:** Conrad tested 37 Travel and Per Diem transactions valued at \$13,661 out of a population of 574 transactions valued at \$56,381. The testing was intended to determine if the costs incurred under the Award were adequately supported, accurate, allowable, and properly approved. Based on our testing, we noted that in some instances [REDACTED] did not adhere to their Travel Policies and Procedures. The exceptions are outlined below:

- 1) For two (2) sampled transactions, [REDACTED] charged per diem rates to the project that were higher than the rates outlined in [REDACTED] travel policy. This resulted in questioned costs in the amount of \$70, as detailed below:

| Period of Travel    | Total<br>Per Diem<br>per [REDACTED]<br>(AFN) | Total<br>Per Diem<br>per Audit<br>(AFN) | Variance<br>(AFN) | Conversion<br>Rate<br>(USD-AFN) | Total<br>Unsupported<br>Costs |
|---------------------|----------------------------------------------|-----------------------------------------|-------------------|---------------------------------|-------------------------------|
| 04/19/20 – 04/23/20 | 16,500                                       | 13,000                                  | 3,500             | 75.7692                         | \$ 46                         |
| 03/01/20 – 03/04/20 | 8,575                                        | 6,750                                   | 1,825             | 75.8136                         | 24                            |
| <b>Totals</b>       | <b>25,075</b>                                | <b>19,750</b>                           | <b>5,325</b>      |                                 | <b>\$ 70</b>                  |

- 2) For two (2) sampled transactions, [REDACTED] was unable to provide a Travel Authorization Request ("TAR") form as required by the travel policy. In addition, for another two (2) sampled transactions, [REDACTED] was able to provide a TAR form, but the form was missing evidence of approval from the line manager as required by the travel policy. However, [REDACTED] was able to provide all other relevant support for these transactions. As such, there are no questioned costs as it relates to these issues.
- 3) For one (1) sampled transaction, [REDACTED] was unable to provide supporting documentation related to airfare charges. This resulted in questioned costs in the amount of \$494.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Criteria:**

**[REDACTED] Administration and Travel Policy, Section 3.15.3 – National Per Diem Rates,**  
states in part:

*"B. Employees shall be entitled to per diem rates for boarding during official travel to the districts  
when an overnight stay is required, in AFN as follows:*

|      |           |           |
|------|-----------|-----------|
| i)   | Breakfast | 100       |
| ii)  | Lunch     | 150       |
| iii) | Dinner    | 150       |
|      | Total     | 400 AFN." |

**[REDACTED] – Afghanistan Administration and Travel Policy,** states in part:

*"Section 3.1 – Guidelines: All employees who travel on business are required to comply with the  
following procedures:*

- ...d) All employees should provide a travel plan to their line manager.*
- e) Raise a TAR (Travel Authorization Request) online for international trips, offline for domestic  
trips and make sure it is approved.*
- f) Take any mandatory training required, before traveling.*
- g) All local / in-country business trips require the pre-approval of the employee's line manager  
and department head.*
- h) All international business trips require the pre-approval of the Country Director or his /her  
Designate.*
- i) All business trips must be within an approved budget."*

**[REDACTED] Country Office Finance Manual, Section 12.3.3 – Document Retention,** states  
in part:

*"The [REDACTED] document retention requirements are defined in the Data Protection and Document  
Retention Policy, Section 3. While the minimum retention period is 6 years, it may be longer."*

**2 CFR 200.334, Retention requirements for records,** states in part:

*"Financial records, supporting documents, statistical records, and all other non-Federal entity  
records pertinent to a Federal award must be retained for a period of three years from the date of  
submission of the final expenditure report..."*

**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:*

(Continued)

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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

**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) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart."

**Cause:** [REDACTED] did not provide adequate management oversight to ensure adherence to its internal travel policies and procedures. In addition, [REDACTED] also stated that they believed supporting documentation exists, but due to the COVID-19 pandemic [REDACTED], many employees were forced to work from home and were unable to retrieve documents that were kept in hard copy in their field offices.

**Effect:** Lack of adherence to the appropriate travel policies and procedures increases the risk of overcharging the project and potentially abusing Federal funds by charging goods and services that might not have been incurred or are unrelated to the project.

**Questioned Costs:** Unsupported questioned costs identified totaled \$686, of which \$122 represents indirect costs. See details below.

| Issue Ref No. | Cost Category       | Samples Impacted | Unsupported Costs | Associated Indirect Costs | Total Unsupported Costs |
|---------------|---------------------|------------------|-------------------|---------------------------|-------------------------|
| 1             | Travel and Per Diem | 2                | \$ 70             | \$ 15                     | \$ 85                   |
| 2*            | Travel and Per Diem | 4                | -                 | -                         | -                       |
| 3             | Travel and Per Diem | 1                | 494               | 107                       | 601                     |
| <b>Totals</b> |                     | <b>7</b>         | <b>\$ 564</b>     | <b>\$ 122</b>             | <b>\$ 686</b>           |

\* [REDACTED] provided all other transaction support for these transactions. As such, there are no questioned costs as it relates to these issues.

[REDACTED]

Financial Audit of Costs Incurred Under  
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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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*Note: NICRA rate used for costs charged between January 1, 2019 and December 31, 2019 was [REDACTED]  
and the rate used for costs between January 1, 2020 and March 23, 2021 was [REDACTED]*

**Recommendation:**

- 1) We recommend that [REDACTED] provide the appropriate source documentation to properly substantiate that the costs claimed were allowable and allocable to the project under audit, or return \$686 in questioned unsupported costs.
- 2) We recommend that [REDACTED] develop and implement additional oversight controls to ensure adherence to its retention policy for document maintenance and retention, and provide staff training to ensure they adhere to [REDACTED] retention policy. We also recommend enhancing the retention policy by requiring hard copies be scanned and maintained in a cloud-based server to ensure that employees working from home will have access to records.
- 3) We recommend that [REDACTED] improve management oversight by implementing controls to ensure adherence to its travel policies and procedures.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Finding 2022-08: Ineligible Gifts were Purchased and Distributed to Female Staff**

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

**Condition:** Conrad tested 28 Program Costs transactions valued at \$840,701 out of a population of 2,768 transactions valued at \$2,737,447 to determine if the costs incurred under the Award were adequately supported, accurate, allowable, and properly approved.

Based on our testing, we noted three instances where gift items such as cloth and body spray were purchased and distributed to female staff in celebration of International Women's Day. [REDACTED] did not provide evidence demonstrating the expenses supported programmatic purposes and were properly authorized in the budget. As such, this resulted in ineligible costs of \$393.

**Criteria:**

[REDACTED] **Country Office Finance Manual, Section 2.9 Disallowable Expenditure** states in part:

**“Definitions and explanations**

*There may be occasions when expenditure is charged to an award and it is later discovered that this expenditure is not permitted within the award rules. This is known as disallowable expenditure. In this situation the transaction should be allocated to another appropriate source of funds. The transfer needs to be authorized by the Budget Holder of the source of funds being allocated the expenditure (receiving Budget Holder).*

*If another appropriate source of funds cannot be identified within the country budget, then the Country Director should absorb the expenditure into the overhead (account code 7515 – award disallowed expenditure). If this is not possible they should seek advice from the Regional Finance Director...*

*... All material re-allocations require the written approval of the Country Director. As Country Office budgets vary, each country should agree and document what is material, in consultation with the Regional Finance Director.*

*If the disallowed expenditure is identified within the financial year, the Country Director will need to manage the overspend. If the country is unable to remain within budget, a report detailing the reasons why must be submitted to the Regional Director and Regional Finance Director. The transaction must be flagged as disallowed.*

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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*If the disallowed expenditure dates back more than one year, the Country Director should contact the Regional Director and Regional Finance Director for advice."*

**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;*
- (h) Cost must be incurred during the approved budget period..."*

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

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

- (1) Is incurred specifically for the Federal award;*
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart...*

*(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies..."*

**2 CFR 200.421(e), Advertising and public relations,** states in part:

*"Unallowable advertising and public relations costs include the following:..."*

- (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs..."*

**2CFR 200.438 Entertainment costs,** states:

*"Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency."*

**Cause:** [REDACTED] management stated the Program's budget was flexible and that the gifts, which they considered promotional items, celebrating International Women's Day were allowable and did not require donor approval. [REDACTED] was not familiar with 2 CFR 200.421 and charged the Program for the promotional items believing they were allowable costs.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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**Effect:** The U.S. Government was charged \$478 in ineligible gift expenses. [REDACTED] charged the U.S. Government for costs explicitly disallowed by the Federal Regulations. The lack of awareness of such requirements increases the risk that award funds are not used for the intended purpose and also increases the risk of fraud, waste, and abuse.

**Questioned Costs:** Ineligible costs identified totaled \$478, of which \$85 represents associated Indirect Costs.

**Recommendation:**

- 1) We recommend that [REDACTED] provide sufficient evidence to demonstrate that employee gift expenses supported programmatic purposes or were authorized in the budget, or return \$478 to the U.S. Government for the ineligible costs.
- 2) We recommend that [REDACTED] develop policies and procedures in accordance with federal regulations – specifically related to the allowability of non-programmatic costs, including promotional items.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

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Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

**Status of Prior Audit Findings**

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We requested prior audit reports from [REDACTED] and SIGAR. We also conducted our own research for any prior engagements including audits, reviews, and evaluations pertinent to [REDACTED] activities. We identified two prior audit reports conducted on behalf of USAID and SIGAR. Based on our review of these reports, we identified five (5) prior findings that we believe could have material effect on the SPFS and other financial data significant to the audit objectives. Our review procedures included a follow up discussion with [REDACTED] management, as well as conducting similar tests surrounding the identified areas during our current audit. We have summarized the results of our procedures below:

**Report: SIGAR Financial Audit Report [REDACTED] of costs incurred under Grant No. [REDACTED] in support of USAID/OFDA's Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to Disaster and Conflict Affected Populations in Afghanistan Program for the period of September 24, 2018 through December 31, 2019:**

**Finding 2019-01:** Inadequate Supporting Documentation Regarding Equipment and Supplies – [REDACTED] was unable to provide evidence of existence for one property item and the information in the photographic evidence provided for two other property items did not match the information presented in the inventory listing, resulting in \$484 in questioned costs.

**Status:** The finding was related to the lack of proof to show the existence, condition, and current use for three property items. [REDACTED] stated that two of the three items were mobile phones that were lost and stolen. [REDACTED] has submitted asset loss and theft reports for these two items, and retroactively notified the donor per the prior auditor's recommendation. For the other item in question, logistical and security challenges prevented [REDACTED] from submitting photo evidence during the field visit stage of the audit and were provided to Crowe as of December 21, 2020. Based on our testing and inquiries, this finding was not identified as a repeated issue. As such, it has been concluded that [REDACTED] has taken adequate corrective action on this finding.

**Finding 2019-02:** Incomplete Physical Inventory Documentation and Lack of Evidence of Submission – Upon the auditor reviewing the inventory document, several discrepancies were noted which resulted in \$59,304 in questioned costs.

**Status:** [REDACTED] retroactively submitted a revised inventory list to the Bureau of Humanitarian Assistance. All dates of the physical checks for the assets have been included on this submission and the value of the assets in USD including GPE have been reflected. [REDACTED] stated that all assets and used supplies have been transferred to the follow-on Program under Agreement [REDACTED]. Based on our testing and inquiries, this finding was not identified as a repeated issue. As such, it has been concluded that [REDACTED] has taken adequate corrective action on this finding.

**Finding 2019-03:** Undocumented Micro-Purchase Procurement Procedures – It was noted that [REDACTED] did not have a documented policy or procedure to ensure the equitable distribution of micro-purchases and

[REDACTED]

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Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

**Status of Prior Audit Findings**

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to ensure that micro-purchases provided to a single vendor do not exceed the micro-purchase threshold in the aggregate as required by 2 CFR Part 200.320. There were no questioned costs.

**Status:** [REDACTED] maintains that the Afghanistan Country Office follows the [REDACTED] Global Procurement Policy. During our audit, [REDACTED] provided its updated Procurement Manual which includes a section containing a detailed diagram which details the necessary procedures to be taken for sourcing thresholds <\$100 to >\$100,000. As such, it has been concluded that [REDACTED] has taken adequate corrective action for this issue; however, our audit did identify issues related to procurement procedures. See **Finding 2022-05** and **Finding 2022-06**.

**Finding 2019-04:** Lack of Support for Suspension and Debarment Checks – [REDACTED] did not provide evidence demonstrating the organization conducted suspension or debarment checks of the 10 vendors selected through procurement procedures.

**Status:** Prior auditor's recommendation was revised. The finding was related to evidence of debarment checks not being provided to the auditor. Per [REDACTED] vetting checks are done for all parties prior to entering into a procurement agreement. The request for vetting is sent to [REDACTED] who uses a third-party provider, Accuity to run the screenings and among that list is SAM.gov. No further revisions to the finding are considered necessary. Based on our testing and inquiries, this finding was not identified as a repeated issue. As such, it has been concluded that [REDACTED] has taken adequate corrective action on this finding.

**Report: USAID Foreign Recipient Report for the year ended December 31, 2020**

**Finding 2020-03:** Control: Expenses documentation – The following issues were noted:

- [REDACTED] noted a number of transactions pertaining to the year ended December 31, 2019 had been charged to SOF 84006040 in the year 2020. Upon inspection of underlying documentation on sample basis, it was understood that a portion of the total cost was incurred prior to the project start date which may be disallowed by USAID for the SOF 84006040.
- Upon inspection of journal vouchers on sample basis, [REDACTED] identified that \$5,393 of the amount questioned was not related to the project and had been mistakenly reclassified to SOF 84006040. The cost cannot be allowed by the donor and has therefore been raised as an ineligible cost. For a further USD 12,506, [REDACTED] management was unable to provide sufficient audit evidence to support that the amount was related to the project and had been approved as pre-award costs. Therefore, this amount has been raised as an unsupported cost.

(Continued)

[REDACTED]

Financial Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

**Status of Prior Audit Findings**

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**Status:** [REDACTED] recommended that pre-award costs allocated to specific USAID projects have appropriate underlying evidence and are approved in line with USAID criteria. [REDACTED] management agreed with the finding and has plans to implement controls over the review of allowability of costs. Based on our testing, we did identify this as a repeated issue. As such, it has been concluded that [REDACTED] has not taken adequate corrective action on this finding. See **Finding 2022-01** of this audit report.

(Continued)

[REDACTED]

Financial and Close-out Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

[REDACTED] **Responses to Audit Findings**

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[REDACTED] Consolidated Management Responses to Findings on the Draft Report are on the  
following pages<sup>1</sup>:

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<sup>1</sup> SIGAR and Conrad had granted [REDACTED] multiple extensions to provide outstanding documents and follow-up support during the course of the audit. Following the exit conference held on April 28, 2022, [REDACTED] provided additional support on June 17, 2022 and requested that Conrad perform a further review. This submission/request was during the midst of SIGAR's review and approval process of the draft report which was submitted to SIGAR on May 19, 2022. Conrad suggested that [REDACTED] provide the support when they provided the official management responses to the draft report so that we could review the additional documentation at that time as to not interrupt the draft report review process. Conrad reviewed the additional support provided by [REDACTED] on June 17, 2022 and included our analysis and conclusion in Appendix B.

(Continued)

**Management Consolidated Responses to Findings on Draft Report**

See also supplemental file provided to Conrad on June 17, 2022, along with site where additional documentation was provided.

**Finding 2022-01: Reallocated Costs that were Designated for Other Awards to the Award under Audit**

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

Condition: Conrad identified ineligible project costs during our sample testing of transactions judgmentally selected from each of the following cost categories:

| Cost Category              | No. of Sampled Transactions | Value of Sampled Transactions | No. of Transactions in Population | Value of Transactions in Population |
|----------------------------|-----------------------------|-------------------------------|-----------------------------------|-------------------------------------|
| Direct Labor               | 405                         | \$ 169,582                    | 13,912                            | \$ 1,521,565                        |
| Fringe Benefits            | 48                          | 52,362                        | 7,317                             | 284,020                             |
| Travel and Per Diem        | 37                          | 13,661                        | 574                               | 56,381                              |
| Equipment                  | 14                          | 43,473                        | 82                                | 58,252                              |
| Other Direct Costs ("ODC") | 50                          | 87,782                        | 3,165                             | 315,273                             |
| Program Costs              | 28                          | 840,701                       | 2,768                             | 2,737,447                           |

- 1) Our testing found transactions, allocated to the Program, which lacked documentation supporting their allocability. [REDACTED] assigns each of its awards a unique identifier called a Source of Funds ("SOF") code that is to be used when coding transactions. The SOF assigned to the award under audit is SOF 84006040. The supporting documentation, such as vouchers and invoice authorizations, for the items questioned below, included SOF codes unrelated to the Award, indicating that the costs were incurred and intended for other awards. [REDACTED] did not provide any other supporting documentation validating the legitimacy of the allocation. See transaction details below.

| Cost Category       | No. of Transaction Issues | SOF per support | Ineligible Cost |
|---------------------|---------------------------|-----------------|-----------------|
| Fringe Benefits     | 2                         | 84005418        | \$ 2,500        |
|                     |                           | 84005418        | 2,500           |
|                     |                           | Subtotal        | 5,000           |
| Travel and Per Diem | 6                         | 84005418        | 489             |
|                     |                           | 82604516        | 340             |
|                     |                           | 75201442        | 164             |
|                     |                           | 82604516        | 145             |

(Continued)

|                    |           |                 |                  |
|--------------------|-----------|-----------------|------------------|
|                    |           | 82604516        | 144              |
|                    |           | 82604516        | 144              |
|                    |           | <b>Subtotal</b> | <b>1,426</b>     |
| Equipment          | 1         | 27600214        | 1,227            |
|                    |           | <b>Subtotal</b> | <b>1,227</b>     |
| Other Direct Costs | 5         | 84005418        | 4,626            |
|                    |           | 84005418        | 477              |
|                    |           | 82603307        | 453              |
|                    |           | 82603307        | 449              |
|                    |           | 99400402        | 154              |
|                    |           | <b>Subtotal</b> | <b>6,159</b>     |
| Program Costs      | 4         | 84005418        | 1,024            |
|                    |           | 03602270        | 476              |
|                    |           | 84005418        | 458              |
|                    |           | 84005418        | 458              |
|                    |           | <b>Subtotal</b> | <b>2,416</b>     |
| <b>Totals</b>      | <b>18</b> |                 | <b>\$ 16,228</b> |

- 2) In May 2020, [REDACTED] reallocated costs to the Award that had been incurred for an award funded by the United Nations Office for the Coordination of Humanitarian Affairs ("UNOCHA"). Based on our review of the underlying transaction support, there were salary and non-salary budget lines in the UNOCHA award that were overspent and at the direction of [REDACTED] management those costs were reallocated to the Project under audit. See transaction details below.

| Cost Category   | No. of Transaction Issues | Brief Transaction Description                                                                                                              | Ineligible Costs |
|-----------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Direct Labor    | 120                       | Staff salary, severance, annual leave (Sep 2019 – Mar 2020)                                                                                | \$ 14,567        |
| Fringe Benefits | 3                         | Training, vehicle painting, petrol and diesel fuel                                                                                         | 1,853            |
| Equipment       | 1                         | Chairs, desks, cabinets for [REDACTED] support staff                                                                                       | 533              |
| Program Costs   | 11                        | FO Premises, flashlights, bank maintenance charges, office air conditioner, chairs, desks, cabinets, external hard drive and coaxial cable | 1,454            |
| <b>Totals</b>   | <b>135</b>                |                                                                                                                                            | <b>\$ 18,407</b> |

#### Criteria:

[REDACTED] Country Office Finance Manual, Section 2.2.3 – Posting attributes, states in part:

"A source of funds is a specific source of income requiring tracking and reporting. This is an eight digit code and the first three digits identify the member country providing the funds, with the other five uniquely identifying the award. A SOF code is required for all income & expenditure transactions and some balance sheet transactions...

... It is important to note that [REDACTED] grant management system (AMS) will hold the member legacy SOF code but will also assign a new [REDACTED] SOF code. For coding transactions the [REDACTED] SOF code should be used."

[REDACTED] Country Office Finance Manual, Section 2.9 – Disallowable Expenditure, states in part:

#### "Definitions and explanations

There may be occasions when expenditure is charged to an award and it is later discovered that this expenditure is not permitted within the award rules. This is known as disallowable expenditure. In this situation the transaction should be allocated to another appropriate source of funds. The transfer needs to be authorized by the Budget Holder of the source of funds being allocated the expenditure (receiving Budget Holder).

If another appropriate source of funds cannot be identified within the country budget, then the Country Director should absorb the expenditure into the overhead (account code 7515 – award disallowed expenditure). If this is not possible they should seek advice from the Regional Finance Director...

... All material re-allocations require the written approval of the Country Director. As Country Office budgets vary, each country should agree and document what is material, in consultation with the Regional Finance Director.

If the disallowed expenditure is identified within the financial year, the Country Director will need to manage the overspend. If the country is unable to remain within budget, a report detailing the reasons why must be submitted to the Regional Director and Regional Finance Director. The transaction must be flagged as disallowed.

If the disallowed expenditure dates back more than one year, the Country Director should contact the Regional Director and Regional Finance Director for advice."

## 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;
- (h) Cost must be incurred during the approved budget period..."

## 2 CFR 200.405, Allocable costs, states in part:

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

- (1) Is incurred specifically for the Federal award;
  - (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
  - (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart...
- (c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies..."

## 2 CFR 200.451, Losses on other awards or contracts, states in part:

"Any excess of costs over income under any other award or contract of any nature is unallowable... Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable..."

Cause: [REDACTED] management allowed the improper practice of allocating funds from one program, when there's a budget constraint, to another program and allowed its country offices to reallocate costs designated for other awards to the award under audit based on the following:

- 1) [REDACTED] justified this practice, stating that country offices have overlapping cost activities related to their on-going awards. [REDACTED] indicated that the award under audit was considered to be a "follow-on" award to a previous award as it was considered to serve the same agreement purpose. As such, it is [REDACTED] stance that costs incurred and designated for a prior award should be allocable to the award under audit.
- 2) [REDACTED] indicated they had incurred costs in excess of the approved budget lines for the UNOCHA award. [REDACTED] management determined that the proper resolution was to reallocate the costs from UNOCHA to the award under audit.

Effect: Improper accounting practice and management oversight of the reallocation of costs specifically designated to certain awards could cause the U.S. Government to fund items that should not have been funded and may inappropriately inflate costs charged to the Agreement. It also undermines the validity and accuracy of [REDACTED] invoice submissions.

Questioned Costs: Ineligible costs identified totaled \$42,123, of which \$7,488 represents associated indirect costs. See details below.

| Issue Ref No. | Cost Category       | Samples Impacted | Ineligible Costs | Associated Indirect Costs | Total Ineligible Costs |
|---------------|---------------------|------------------|------------------|---------------------------|------------------------|
| 1             | Fringe Benefits     | 2                | \$ 5,000         | \$ 1,082                  | \$ 6,082               |
|               | Travel and Per Diem | 6                | 1,426            | 308                       | 1,734                  |
|               | Equipment           | 1                | 1,227            | 265                       | 1,492                  |
|               | ODC                 | 5                | 6,159            | 1,332                     | 7,491                  |
|               | Program Costs       | 4                | 2,416            | 523                       | 2,939                  |
|               | <b>Subtotal</b>     | <b>18</b>        | <b>16,228</b>    | <b>3,510</b>              | <b>19,738</b>          |
| 2             | Direct Labor        | 120              | 14,567           | 3,148                     | 17,715                 |
|               | Fringe Benefits     | 3                | 1,853            | 401                       | 2,254                  |
|               | Equipment           | 1                | 533              | 115                       | 648                    |
|               | Program Costs       | 11               | 1,454            | 314                       | 1,768                  |
|               | <b>Subtotal</b>     | <b>135</b>       | <b>18,407</b>    | <b>3,978</b>              | <b>22,385</b>          |
| <b>Totals</b> |                     | <b>153</b>       | <b>\$ 34,635</b> | <b>\$ 7,488</b>           | <b>\$ 42,123</b>       |

Note: NICRA rate used for costs charged between January 1, 2019 and December 31, 2019 was [REDACTED] and the rate used for costs between January 1, 2020 and March 23, 2021 was [REDACTED]

## Recommendation:

- 1) We recommend that [REDACTED] provide evidence and sufficient justification to demonstrate that these costs were 100% allowable and allocable to the Award, or return \$42,123 of ineligible costs to the U.S. Government.
- 2) We recommend that [REDACTED] management develop and implement control policies pertaining to "follow-on" awards that specifically disallow costs incurred under previous federal awards to be subsequently charged to a later award when the budget for the prior project is exceeded.

- 3) We recommend that [REDACTED] management revise its current Finance Manual to explicitly address the issue of budget constraints to ensure that costs among different programs are not to be commingled and allocated from one program to another program.
- 4) We recommend that [REDACTED] staff and management perform all necessary procedures pertaining to the reallocation of costs to ensure validity and accuracy of cost recording and invoice submissions.

**Management Response:**

[REDACTED] provided details and responses to each of the detailed transactions tested during the life of the engagement. We disagree with Conrad's views on "reallocation" of costs. Most specifically, where an award has an overlapping term and purpose with other funding sources (for instance: a follow-on USAID award to meet the same/similar objectives), and those costs are legitimately allocated on a reasonable and fair cost basis, then this does not automatically deem the cost questioned or disallowed. The country office has processes in place to monitor, identify and adjust costs to specific award(s) with proper controls and approvals. In a country office where there are multiple funding sources, there is a level of shared direct costs for program implementation, and instances where multiple funding sources will fund one overarching project and contribute to the milestones and objectives.

- 1) We recommend that [REDACTED] provide evidence and sufficient justification to demonstrate that these costs were 100% allowable and allocable to the Award, or return \$42,123 of ineligible costs to the U.S. Government.

**Management Response:**

Management's perspective is that responses and additional details have been provided to dispute the costs questioned. This was provided with detailed explanations and additional supporting documentation in the June 17, 2022 email (see excel file with detailed response along with shared drive supporting). As highlighted in these comments, [REDACTED] is attentive to charging expenses which are allocable, allowable and reasonable as per 2CFR200, Subpart E — and is also mindful to consistently treat charges in like circumstances.

- 2) We recommend that [REDACTED] management develop and implement control policies pertaining to "follow-on" awards that specifically disallow costs incurred under previous federal awards to be subsequently charged to a later award when the budget for the prior project is exceeded.

**Management Response:**

Management disagrees with auditors' premise that costs were "specifically disallowed" to be charged to a later award when budgets are exceeded. The term of the prior award and the new award had overlapping dates. The project activities were also aligned, and thus allocating costs between the SOFs should not be automatically deemed "questioned" or disallowed. During a transition from one award to the other, cost for particular activities initially coded to an old award can be moved to a new award so long as the cost is not outside the term or scope of the agreements and complies with the Cost Principles under 2CFR200, Subpart E. Supporting documentation from original transactions should be held intact, such that there is an audit trail of flow for the adjustment vouchers.

3) We recommend that [REDACTED] management revise its current Finance Manual to explicitly address the issue of budget constraints to ensure that costs among different programs are not to be commingled and allocated from one program to another program.

**Management Response:**

Management reviews/monitors and identifies instances where staff who initially code, have done so incorrectly and an adjustment entry is required to correct or reallocate. This should not be automatically deemed questioned. There is no language in the CFR that disallows costs to be allocated on a fair share basis or recoded when issues are identified. When awards expire, but the objectives of the USAID award are still ongoing, then the allocation may change slightly to increase the fair share of the USAID award, while still being in compliance with the award terms and all applicable regulations.

4) We recommend that [REDACTED] staff and management perform all necessary procedures pertaining to the reallocation of costs to ensure validity and accuracy of cost recording and invoice submissions.

**Management Response:**

Management has provided explanations exhibiting the process for reallocating costs. This is flagged by the country office or award management staff, an adjustment journal voucher is prepared according to normal processes, and this goes through proper approval pathways for posting the adjustment to the ledger.

In the few instances where “budgetary purposes” were referenced as the sole reason for charging to USAID award, we have communicated acceptance to the Conrad team in our response on June 17, 2022 in the interest of conservatism.

**Finding 2022-02:** [REDACTED] did not Reimburse the Indirect Costs Associated with Disallowed Costs Identified in a USAID Foreign Recipient Audit

**Finding 2022-02:** [REDACTED] did not Reimburse the Indirect Costs Associated with Disallowed Costs Identified in a USAID Foreign Recipient Audit

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

**Condition:** [REDACTED] self-disclosed results from a USAID Foreign Recipient audit conducted by [REDACTED] on the agreement under audit for the year ended December 31, 2020. The audit identified a number of transactions pertaining to the year ended December 31, 2019 that were charged to the SOF assigned to this Agreement (SOF 84006040) in the year 2020. Upon [REDACTED] inspection of underlying documentation, [REDACTED] noted that total costs of \$17,899 were incurred prior to the Agreement start date or were unrelated to the Agreement. [REDACTED] provided the following detailed analysis of the costs questioned in the report:

| Cost Category      | Questioned Costs |
|--------------------|------------------|
| Direct labor       | \$ 15,098        |
| Fringe benefits    | 1,306            |
| Other direct costs | 1,428            |
| Program costs      | 13               |
| <b>Total</b>       | <b>\$ 17,899</b> |

[REDACTED] reimbursed the amounts identified by [REDACTED] to USAID. However, Conrad noted [REDACTED] did not reimburse USAID for the associated indirect costs as they were not identified in [REDACTED] finding. Furthermore, Conrad noted that [REDACTED] did not remove the questioned items from its SPFS. As such, we are questioning the reimbursed amount of \$17,899 and the \$3,866 in the associated indirect costs related to the [REDACTED] finding.

**Criteria:**

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

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*
- (g) Be adequately documented;*
- (h) Cost must be incurred during the approved budget period..."*

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

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

- (1) Is incurred specifically for the Federal award;*
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart..."*

*...(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies..."*

**2 CFR 200.410, Collection of unallowable costs, states:**

*"Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise."*

**2 CFR 200.451, Losses on other awards or contracts, states in part:**

*"Any excess of costs over income under any other award or contract of any nature is unallowable... Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable. All losses are not allowable indirect (F&A) costs and are required to be included in the appropriate indirect cost rate base for allocation of indirect costs."*

**Cause:** [REDACTED] did not have a policy that required it to refund indirect costs associated with identified unallowable direct costs. Additionally, prior to the submission of the Project's final quarterly report, [REDACTED] had reached its indirect cost budget ceiling and [REDACTED] states that if they were to reimburse USAID for the indirect costs related to the KPMG finding, those costs would be replaced by the final quarters' unrecoverable indirect costs.

**Effect:** By not having an adequate refund policy for indirect costs in place, the indirect costs charged to the Agreement were overstated and the funding agency was not reimbursed the appropriate amount for the finding identified by [REDACTED]

**Questioned Costs:** While [REDACTED] has reimbursed USAID for the items identified by [REDACTED] they did not remove the questioned items from their SPFS. Therefore, in order to properly reconcile the SPFS, we are questioning \$17,899. We are also questioning the associated indirect costs. The NICRA rate for costs incurred between January 1, 2020 and March 23, 2021 was [REDACTED] which is applicable to the [REDACTED] report period. As such, ineligible associated indirect costs identified totaled \$3,866.

**Recommendation:**

- 1) We recommend that [REDACTED] provide evidence to demonstrate how indirect costs related to the unallowable costs were never charged to the U.S. Government, or return \$3,866 to the U.S. Government.
- 2) We recommend that [REDACTED] develop and implement a policy that requires associated indirect costs to be refunded to the U.S. Government along with any unallowable costs identified.

**Management Response:**

[REDACTED] provided updates to Conrad as the Foreign Recipient Audit came to conclusion and related costs were removed from the award, with the utmost transparency. This occurred between the time the SPFS were drafted and before the audit was completed. [REDACTED] management was amenable to revise the SPFS, as the revised SF425s and other reporting had been completed, but this revision was not accepted by the Conrad team. The \$17,899 was removed from the award in earlier periods (and included in preliminary final reporting). We kindly request this to be removed from the draft report, to adjust SPFS or for this to merely be documented in Conrad's work-papers to describe the scenario that has occurred.

Related to ICR (\$3,866) for this particular award, we have chargeable ICR in excess of the budget per our NICRA agreement as exhibited by our final SF425 (where it details we are not able to recover our full ICR rate in reporting by the difference in box 11 ICR for calculated vs federal share included as expenditure). In other words, because we have not completed budget adjustment, we have calculated billable ICR in excess of what we were able to charge in the award (foregone ICR amounts). Therefore, when we have credit of expenses related to disallowance, this still did not impact the total billed to USG. This review was done at notice of findings. In other circumstances, and when ICR amounts billed are impacted, we would of course have reimbursed USG. We have communicated the same to the auditors throughout the engagement.

**Finding 2022-03: Missing or Insufficient Direct Labor Source Documentation and Employee Timesheets Approved and/or Submitted prior to Pay Period End**

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

Condition: Conrad tested 405 Direct Labor transactions valued at \$169,582 out of a population of 13,192 transactions valued at \$1,521,565 to determine if the Direct Labor costs incurred under the Award were adequately supported, accurate, allowable, and properly approved. Based on our testing, we noted:

- 1) Nine (9) instances of missing or insufficient source documentation, such as missing timesheets, related project employment contracts and/or salary increment letters, and insufficient justification supporting an employee's level of effort rate. These items resulted in unsupported costs of \$8,224 as illustrated below:

| Issue Type                                                                                                                                         | Samples Impacted | Questioned Cost |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|
| (a) Missing timesheets                                                                                                                             | 2                | \$ 5,835        |
| (b) Missing employment contracts and/or a salary increment letters for three (3) sampled employees – for the period(s) April 2020 and August 2020. | 8                | 953             |
| (c) Percentage level of effort charged was greater than the level of effort on the timesheet.                                                      | 1                | 1,438           |
| <b>Totals</b>                                                                                                                                      | <b>9</b>         | <b>\$ 8,224</b> |

- 2) Thirty-three (33) instances where employee timesheets were approved and/or submitted prior to pay period end. This resulted in unsupported costs of \$4,068 as illustrated below:

| Title | Pay Period End | Date & Time Submitted     | Date & Time Approved     | # of Hours in Question | Questioned Amount |
|-------|----------------|---------------------------|--------------------------|------------------------|-------------------|
|       | 4/30/2020      | 4/29/2020 at 7:45am AFT   | 4/30/2020 at 7:31am AFT  | 13                     | \$ 75             |
|       | 12/31/2020     | 12/23/2019 at 3:06pm AFT  | 12/23/2019 at 3:07pm AFT | 5                      | 50                |
|       | 10/31/2019     | 10/30/2019 at 10:55am AFT | 10/31/2019 at 3:10pm AFT | 16                     | 127               |

|  |            |                           |                           |    |       |
|--|------------|---------------------------|---------------------------|----|-------|
|  | 10/31/2019 | 10/30/2019 at 4:24pm AFT  | 10/30/2019 at 4:57pm AFT  | 8  | 134   |
|  | 10/31/2019 | 10/30/2019 at 9:10am AFT  | 10/30/2019 at 10:11am AFT | 8  | 64    |
|  | 4/30/2020  | 4/29/2020 at 6:43am AFT   | 4/29/2020 at 6:56am AFT   | 13 | 48    |
|  | 10/31/2019 | 10/30/2019 at 8:59am AFT  | 10/30/2019 at 9:08am AFT  | 16 | 104   |
|  | 4/30/2020  | 4/29/2020 at 6:45am AFT   | 4/29/2020 at 7:10pm AFT   | 13 | 86    |
|  | 4/30/2020  | 4/29/2020 at 7:30am AFT   | 4/29/2020 at 9:15am AFT   | 13 | 98    |
|  | 10/31/2019 | 10/30/2019 at 11:59am AFT | 10/30/2019 at 12:04pm AFT | 16 | 118   |
|  | 4/30/2020  | 04/29/2020 at 7:31am AFT  | 4/29/2020 at 7:37am AFT   | 13 | 94    |
|  | 4/30/2020  | 4/29/2020 at 6:52am AFT   | 4/29/2020 at 8:24am AFT   | 13 | 70    |
|  | 4/30/2020  | 4/29/2020 at 10:22am AFT  | 4/29/2020 at 11:11am AFT  | 1  | 28    |
|  | 10/31/2019 | 10/30/2019 at 10:05am AFT | 10/30/2019 at 10:08am AFT | 16 | 64    |
|  | 4/30/2020  | 4/29/2020 at 6:42am AFT   | 4/29/2020 at 6:50am AFT   | 13 | 48    |
|  | 12/31/2019 | 12/31/2019 at 6:33am AFT  | 12/31/2019 at 7:21am AFT  | 8  | 27    |
|  | 8/31/2020  | 8/31/2020 at 9:20am AFT   | 8/31/2020 at 10:03am AFT  | 8  | 22    |
|  | 4/30/2020  | 4/30/2020 at 8:32am AFT   | 4/30/2020 at 9:05am AFT   | 8  | 1,550 |
|  | 6/30/2020  | 6/30/2020 at 5:27am AFT   | 6/30/2020 at 5:32am AFT   | 8  | 190   |
|  | 12/31/2019 | 12/31/2019 at 4:08am AFT  | 12/31/2019 at 9:14am AFT  | 8  | 38    |
|  | 8/31/2020  | 8/31/2020 at 5:18am AFT   | 8/31/2020 at 9:16am AFT   | 8  | 47    |
|  | 12/31/2019 | 12/31/2019 at 4:39am AFT  | 12/31/2019 at 4:50am AFT  | 8  | 44    |

(Continued)

|              |            |                           |                           |     |                 |
|--------------|------------|---------------------------|---------------------------|-----|-----------------|
|              | 8/31/2020  | 8/31/2020 at 7:05am AFT   | 8/31/2020 at 7:08am AFT   | 8   | 46              |
|              | 10/31/2019 | 10/31/2019 at 10:34am AFT | 10/31/2019 at 11:01am AFT | 8   | 32              |
|              | 12/31/2019 | 12/31/2019 at 5:50am AFT  | 12/31/2019 at 9:06am AFT  | 8   | 38              |
|              | 10/31/2019 | 10/31/2019 at 9:52am AFT  | 10/31/2019 at 10:25am AFT | 8   | 53              |
|              | 12/31/2019 | 12/31/2019 at 9:39am AFT  | 12/31/2019 at 11:44am AFT | 8   | 31              |
|              | 4/30/2020  | 4/30/2020 at 8:13am AFT   | 4/30/2020 at 8:22am AFT   | 6.5 | 44              |
|              | 12/31/2019 | 12/31/2019 at 4:40am AFT  | 12/31/2019 at 5:35am AFT  | 8   | 22              |
|              | 8/31/2020  | 8/31/2020 at 5:24am AFT   | 8/31/2020 at 5:29am AFT   | 8   | 20              |
|              | 12/31/2019 | 12/25/2019 at 6:27am AFT  | 12/25/2019 at 7:46am AFT  | 20  | 336             |
|              | 4/30/2020  | 4/26/2020 at 4:57am AFT   | 4/26/2020 at 9:53am AFT   | 16  | 249             |
|              | 12/31/2019 | 12/16/2019 at 5:16pm AFT  | 12/18/2019 at 5:02am AFT  | 2   | 72              |
| <b>Total</b> |            |                           |                           |     | <b>\$ 4,068</b> |

**Criteria:**

Afghanistan Human Resources Manual/Handbook, states in part:

*"Section 5.b – Effort Report (Timesheets): Staff paid by Country Office: Timesheets are kept in the electronic system maintained by finance department, the finance team reviews actual effort against funding sources charged to ensure accuracy..."*

*Section 6.10 – Personnel File: HR Department in Country Office is responsible for creating and maintaining the personnel files of all employees. The original copy of all staff personnel files will be kept where the file is originated, and a copy of the file (hard and scanned) will be shared with CO for filing. Provincial HR staff or designated HR persons are responsible for maintaining all original documents of personnel files and share those with CO only for specific and audit reasons."*

Procedure: Effort Reporting Policy, states in part:

*"Section 2.1 – Timescale for completion and approval of timesheets based on actual hours: On the last day of the month, employees log in to make updates and submit their timesheets. Line managers must log in between the 1st and 3rd working day of the new month, at least once a day, and in response to any e-mail notifications. They must check and then approve or reject the submitted timesheets..."*

*Section 2.9 – Definition of Actual Hours: Actual hours (actual effort worked) is defined as the total number of hours worked per day, week, month or year. Actual hours should include all hours spent on work activities, whether at the regular place of work or not, including work done at other workplace offices or at home..."*

*Section 3.2 – Employee: Employees are responsible for recording their working hours online throughout the month and submitting their finalized timesheet for their line manager's approval on the last day of the month..."*

*Section 3.4 – Line Managers: Line managers must check timesheets in a timely manner before the end of the 3rd working day of the month, and:*

- *Reject submitted timesheets, giving appropriate and suitable detailed comments if hours worked or codes are incorrect.*
- *Approve the submitted timesheets if all agreed hours worked have been recorded and the correct Project, SOF, Cost Centre and DEA codes have been used.*
- *Check that any Annual Leave recorded agrees to the in country HR leave records. If not the timesheet should be rejected and either the timesheet or HR records corrected*
- *Review the performance of employees if working hours are different to the agreed work plan, over a longer period of time.*
- *Follow up with their direct reports on any timesheets which are submitted late or not at all.*
- *Liaise with HR regarding any sanctions that may have to be applied in the case of persistent non-submission or late submission, if there are no extenuating circumstances."*

Country Office Finance Manual, Section 12.3.3 – Document Retention, states in part:

*"The document retention requirements are defined in the Data Protection and Document Retention Policy, Section 3. While the minimum retention period is 6 years, it may be longer."*

2 CFR 200.334, Retention requirements for records, states in part:

*"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."*

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;*
- (h) Cost must be incurred during the approved budget period..."*

2 CFR 200.405, Allocable Costs, states in part:

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

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

2 CFR 200.430, Compensation-personal services, states the following:

*"(a) General...Costs of Compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:*

- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;*
- (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and*
- (3) Is determined and supported as provided in paragraph (1) of this section, Standards for Documentation of Personnel Expenses, when applicable..."*

Cause: The following causes were identified:

- 1) [REDACTED] staff did not properly maintain/retain timesheets or personnel files in accordance with their policies.
- 2) [REDACTED] did not perform review procedures that would have prevented an employee's salary from being charged at an incorrect level of effort rate.
- 3) [REDACTED] allows employees to submit and supervisors to approve timesheets prior to the end of a pay period in order to process payroll on a timely basis. [REDACTED] explained that they allow employees to submit their timesheets prior to pay period because some employees are designated to exclusively work full-time on the Award under audit and charge 100% of hours worked to the Award. However, [REDACTED] does not perform, nor does it have formal procedures to review the accuracy of timesheets that were submitted and approved prior to the end of the pay period. [REDACTED] policies are silent with respect to compensating controls related to the early submission of timesheets.

Effect: [REDACTED] inability to provide support documentation to substantiate the labor charges claimed under the Award increases the risk that labor costs charged may not have been incurred, resulting in labor costs that are higher than the allowable rate, or labor costs that are not related to the Program. In addition, [REDACTED] lack of policies and formal compensating controls to verify timesheet accuracy in the event of early submission and approval can potentially result in time being incorrectly charged to the Program, as it could cause the U.S. Government to fund items that should not have been funded and may inappropriately inflate costs charged to the Agreement.

Questioned Costs: Unsupported questioned costs identified totaled \$14,949, of which \$2,657 represents associated Indirect Costs.

1) We recommend that [REDACTED] provide evidence and sufficient justification to demonstrate that these costs were 100% allowable and allocable to the Award, or return \$14,949 in questioned unsupported costs.

**Management Response:**

[REDACTED] provided responses to Conrad on June 17, 2022 after many rounds of information providing, detailing the instances where costs had already been removed (as exhibited by ledger listings for the credit of expenditures off of awards, additional timesheets provided, and also highlighting reasons for amounts not specifically matching one timesheet period's salary).

Additionally, in regards to instances of timesheet approvals from our CO staff, please see explanations provided to offer context to the environment (working in the field and in places where internet is not always available):

“We appreciate auditors support to accept our justification for similar instances and request again to consider the same for this instance because as per our understanding program staff ( Direct cost) are hired 100% for specific award so it is obvious that the staff needs to work daily on the same project, we understand that the time sheet should be updated after close of business but if the staff is dedicated 100% for one award it has no implication because even if staff submit the time sheet after close of business her / his actual level of effort will remain the same. Secondly [REDACTED] time sheet system is online and in Afghanistan it's challenging to ensure smooth access to internet 24/7 so to meet submission & approval deadlines sometimes staff chose to complete time sheet ahead of last working day of respective month and just in case if there is any mistake in capturing the actual hours supervisor has the right to reject staff time sheet and then staff needs to re-submit it, as per [REDACTED] standard practice. To support our said understanding we have uploaded three different HR communications to all AFG staff during Sep & Oct 2020 which is about (1) informing all staff to complete time sheet before long weekend (2) online system was down so extended the time sheet submission deadlines (3) analysis where time sheet data was not captured in Oracle due to technical issues. So we request auditors to consider online system limitations and also the decades-long challenges in a country like Afghanistan where even in capital city (Kabul) sometimes electric power is available for less than 12 hours in a day; the situation is worse in remote areas where most of the program staff are posted. Please also consider that most of our staff do not have access to internet after working hours so if any of the staff are on field visits / travelling with minimum internet access (even sometimes internet bandwidth is not enough to run online time sheet system remotely), to avoid missing time sheet submission deadline, they submit it at the start of last working day. This is not common practice, but is used in exceptional cases based on the realities on the ground. Management tries to address such issues per possible compliant options. The same situation applies to the supervisor. In exceptional cases, the supervisor may approve the time sheet on the same day time sheet is submitted by repartee. Another important aspect is that sometimes before heading to leave, R&R breaks, field visits repartee or supervisor ensure that in her/ his absence time sheet should be approved timely so they make a few days advance arrangements because the time sheet system is automatically connected with the financial management systems (Agresso) which process the time sheet data on monthly basis to capture staff level of effort in Agresso.”

While management highlights the above explanation and noted challenges (see also communication dated June 17, 2022), in the interest of conservatism for this particular award, we will accept the \$2,331.11 and will remove the charges. All other charges are in line with 2CFR200.430, Compensation of Personal Services.

**2) We recommend that [REDACTED] develop additional policies for supervisor and management review to ensure adherence to the record retention policies outlined in their Finance Manual and in the Federal Regulations.**

**Management Response:**

■ has provided all timesheets requested. Any instances where timesheets were not provided, the charges were already removed or the timesheet has been provided to Conrad. See detailed comments from June 17, 2022 on each transaction item in question.

**3) We recommend that ■ develop and implement additional review procedures that will prevent an employee's salary from being charged at an incorrect level of effort rate.**

**Management Response:**

■ has a process for any instances of incremental salary increases and for offer letters related to employment. Please see supporting documentation provided June 17, 2022 where salary increment letters have been provided for questioned costs.

**4) We recommend that ■ revise current policies and procedures to cover early submission and approval of timesheets to include compensating controls to ensure staff time entered is accurate when employee submits and supervisor approves timesheets prior to the period end.**

**Management Response:**

■ accepts the suggestion to formalize in policies and procedures rather than an ad hoc approach to managing inability to charge due to leaves, R&R, or field visits. ■ Afghanistan agrees to document future instances of time sheet submissions and approvals that occur prior to the end of the last day of the month.

**Finding 2022-04: Incurred Costs Related to Multiple Awards Were Allocated Entirely to the Award**

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

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

1) Travel and Per Diem

Conrad tested 37 Travel and Per Diem transactions valued at \$13,661 out of a population of 574 transactions valued at \$56,381. During our testing, we noted the following issues:

- a) For five (5) samples tested, the support documentation provided indicated that the purpose of travel was to Participate in Extended Senior Management Team (ESMT) Meeting in Kabul [REDACTED] Country Office (CO). ESMT meetings cover all active [REDACTED] awards, but the costs were incorrectly allocated entirely to the Program. According to [REDACTED] ESMT has oversight on CO overall portfolio and operations, so all active awards were part of the ESMT discussions. Costs incurred were related to staff flights, per diem allowances, and guest house accommodations, which were charged 100% to the project under audit. As the ESMT meetings are to discuss all active awards and is a general oversight of the overall portfolio, costs should have been allocated to all active awards. This resulted in questioned costs in the amount of \$1,951.
- b) For one (1) sample tested, the support documentation provided indicated that the purpose of the travel was for the [REDACTED]. These costs were related to support staff that work on multiple awards but the costs were incorrectly allocated entirely to the Program. As the support staff work for multiple awards, the cost should have been allocated to all appropriate awards. This resulted in questioned costs in the amount of \$310.
- c) For two (2) samples tested, the support documentation provided indicated that the purpose of travel was for the Deputy Country Director to conduct a field visit in support of all [REDACTED] awards. These costs were incorrectly charged entirely to the Program and should have been allocated among all [REDACTED] awards. Upon further review of the support documentation, it was noted that 100% of the cost was charged to the project under audit. As the field visit was to support all project awards, the cost should have been allocated to all appropriate awards. This resulted in questioned costs in the amount of \$310.

- d) For one (1) sample tested, the support documentation indicated that the purpose of the travel was for [REDACTED]. This training was conducted by an officer who oversees HR/Admin related issues for all awards. However, the costs were incorrectly allocated entirely to the Program. As the field visit was to support all awards, the cost should have been allocated to all appropriate awards. This resulted in questioned costs in the amount of \$264.

2) Other Direct Costs ("ODC")

Conrad tested 50 ODC transactions valued at \$87,782 out of a population of 3,165 transactions valued at \$315,273. For three (3) samples tested, the expenses were related to bank charges from a bank account utilized for all on-going [REDACTED] awards in Afghanistan. [REDACTED] indicated during fieldwork that there are multiple on-going operations in Afghanistan and that their practice is to allocate bank charges among the multiple awards operating in Afghanistan. However, [REDACTED] was unable to provide expense and allocation support that the costs charged for the sampled months of September 2019 and October 2019 were not charged 100% to the award under audit. This resulted in questioned costs in the amount of \$4,891.

**Criteria:**

[REDACTED] Cost Allocation Methodology Procedures, Section 5 Cost Categories and Considerations for the Calculation of CAM, states in part:

**"Shared direct costs**

*Shared direct costs are incurred for multiple objectives to provide support to all awards in the implementing office. These costs can occur at both field office location and country office locations and once posted to the Shared Cost SOF1 will be proportionately and directly allocable to the awards as determined by the monthly cost allocation calculation. These costs are still necessary for programme delivery (for example Country Office security or general staff training) but where specific itemization to individual awards would require disproportionate workload. Such costs will be allocated by the system based CAM, to the relevant awards in the following 7 cost categories:*

1. International salaries;
2. National salaries;
3. Non-salary benefits;
4. Vehicle and transportation costs;
5. Travel & lodging;
6. Premises; and
7. Other...

**Cost Charging Protocol**

1. Wherever necessary for program delivery, support costs should be directly charged to one or several awards as standard direct costs.
2. If it is not possible to charge costs as standard direct to one or several awards, if the costs are donor compliant and related to all awards in a Country Office, the costs should be split between all awards by the CAM as shared direct costs..."

Cost Allocation Methodology Procedures, Section 6 Cost Allocation Calculation, states in part:

"Awards must be budgeted with an appropriate amount of shared direct costs to enable [redacted] to implement the award. To allocate shared direct costs appropriately to each award, a 'cost allocation driver' is used, and is expressed as a percentage."

Cost Allocation Methodology Procedures, Section 9 Steps to Apply the Cost Allocation Methodology, states in part:

**"Review Postings**

- a) Running and reviewing the EXP02 report in Agresso.
  - EXP02 – Pre-CAM review report
    - I. Finance review the Summary tab which shows the current CAM allocations based on costs posted for that period to ensure there is nothing unexpected, i.e. i) a SOF receiving a higher or lower allocation of shared direct costs than expected, ii) awards with direct spend in Cost Centres which they are not being implemented, iii) any material negative spend iv) any other irregularities for further investigation...
    - IX. Review All Shared transactions tabs, and do the following:
      - Finance must recode costs that are not eligible to be shared. For example, field office vehicle and premises costs which should be directly charged. Finance would need to consult with the Budget Holder to identify the correct award(s) for reallocation of costs.
      - Finance must check for costs that have been posted to the wrong cost centre and recode them to the correct one (e.g. where the rental cost for an area/hub office is posted under the Country Office Cost Centre).
      - Finance review the All CAM DEA transactions tab in the EXP02 report, for any costs posted to the "Other" CAM DEA, as we need to ensure that the costs posted here are accurate and allowable for this category, which will primarily entail bank charges...

The "Pre-CAM Review" function should be performed at least weekly throughout the month by Finance and any costs posted in error to the Shared Cost SOF, should be corrected during the month. For the Pre-CAM Report to be useful to Budget Holders, all expenses should be booked in Agresso before Soft Close. This period of review gives the Awards team and the Budget Holders an opportunity to start communications with each other and the Members to ensure donor compliance and financial report accuracy. These review, approval, and posting tasks should be performed before Soft Close. The Country Finance Director (CFD) is accountable for reviewing and approving the transactions in the Shared Cost SOF. After final hard close review, the 'All Shared transactions' tab must be printed and signed by the CFD and filed along with copies of the original Shared SOF transactions in each period..."

**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;
- (h) Cost must be incurred during the approved budget period..."

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

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

- (1) Is incurred specifically for the Federal award;
  - (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
  - (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart...
- (c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies..."

Cause: [redacted] did not apply the necessary allocation procedures for shared costs to ensure that costs related to multiple awards were properly allocated among all applicable awards based on the following:

- 1) [redacted] ignored its shared cost policy and allocated 100% of travel expenses to the Program. [redacted] management did not follow their cost allocation procedures. [redacted] justified the allocation noting that the Program's approved budget had funds available for staff travel.

- 2) [REDACTED] did not provide support for September and October 2019 bank charges. In lieu of support, [REDACTED] provided documentation for December 2021 to demonstrate they were allocating bank charges among multiple programs. [REDACTED] reasoned that since the bank charges in subsequent months were reasonably allocated between all awards, it was justifiable to fully allocate the bank charges to the Award for the months in question.

Effect: [REDACTED] charged the government for costs that should have been shared among all of [REDACTED] awards. The lack of adequate performance of controls to demonstrate and justify proper allocation of expenses increases the risk that [REDACTED] may have charged the Award for costs that are related to multiple awards and that U.S. Government funds under each of the affected awards are not used for the intended purpose.

Questioned Costs: Unsupported questioned costs identified totaled \$9,397, of which \$1,671 represents associated Indirect Costs.

| Issue Ref No. | Cost Category       | Samples Impacted | Unsupported Costs | Associated Indirect Costs | Total Unsupported Costs |
|---------------|---------------------|------------------|-------------------|---------------------------|-------------------------|
| 1             | Travel and Per Diem | 9                | \$ 2,835          | \$ 613                    | \$ 3,448                |
| 2             | ODC                 | 3                | 4,891             | 1,058                     | 5,949                   |
| Totals        |                     | 12               | \$ 7,726          | \$ 1,671                  | \$ 9,397                |

Note: NICRA rate used for costs charged between January 1, 2019 and December 31, 2019 was [REDACTED] and the rate used for costs between January 1, 2020 and March 23, 2021 was [REDACTED]

- 1) We recommend that [REDACTED] provide evidence and sufficient justification to demonstrate that these costs were 100% allowable and allocable to the Award, or return \$9,397 of unsupported costs to the U.S. Government.

#### Management Response:

[REDACTED] provided detailed responses to each item in the communication dated June 17, 2022. In this file, we explained that many of the noted questions on allocation, were directly for the USAID project, some instances were related to overlapping terms, and some costs received an allocation of costs. Additionally, where other projects have the same scope or were identified as being misappropriately coded initially, the CO provided explanation and support for the change in coding. [REDACTED] Afghanistan applies a consistent cost allocation methodology for shared costs allocation across awards benefitting from the costs. Charges are compliant with 2CFR200.405, Allocable costs, where it is either incurred specifically for the award or benefits the award in question and other several awards.

In the few instances where "budgetary reasons" were the pure and only reason, we accept the charges in the interest of conservatism (\$1,656.67).

- 2) We recommend that [REDACTED] develop and implement additional policies and procedures for supervisory and management review to ensure strict adherence to the cost allocation methodology controls and adequately document all applicable cost transaction details to appropriately justify the allocation of expenses.

#### Management Response:

[REDACTED] has provided the processes and procedures related to our cost allocation methodology and instances where costs were direct charged throughout the course of the audit, as well as within the June 17, 2022 communication.

Finding 2022-05: [REDACTED] did not adhere to the required Procurement Processes

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

**Condition:** Conrad tested 37 Travel and Per Diem transactions valued at \$13,661 out of a population of 574 transactions valued at \$56,381 and 28 Program Costs transactions valued at \$840,701 out of a population of 2,768 transactions valued at \$2,737,447 to ensure transactions properly adhered to the procurement policies and procedures. Conrad identified five (5) transactions where [REDACTED] did not follow its Single Quotation Sourcing Procedures which require obtaining three competitive quotes, preparing a comparative bid analysis, and receiving approval from the budget holder. These transactions are as follows:

| Cost Category       | Samples Impacted | Transaction Description          | Unsupported Costs |
|---------------------|------------------|----------------------------------|-------------------|
| Travel and Per Diem | 2                | Guest house/hotel accommodations | \$ 998            |
| Program Costs       | 1                | Assessment surveyors             | 3,979             |
| Program Costs       | 2                | Vehicle rental                   | 1,230             |
| <b>Totals</b>       | <b>5</b>         |                                  | <b>\$ 6,207</b>   |

**Criteria:**

[REDACTED] Global Procurement Manual, states in part:

*Section 4.2 – Sourcing Procedures: Sourcing Thresholds are set globally, and if required due to local context, COs can request adapted Thresholds. These must be approved by the Regional Supply Chain Lead and Global Head of Procurement." [Auditor note: This section contains a detailed diagram which details the necessary procedures to be taken for sourcing thresholds <\$100 to >\$100,000. Below is a summary of the required procurement documentation for the sourcing threshold related to the questioned transactions]:*

Transaction Amount: (<\$100) – Cash & Receipt Sourcing Procedure

- If there are multiple purchases under \$100 with the same supplier, which in total add up to more than \$100, a Sourcing Procedure must be completed in line with the Sourcing Thresholds...*

Transaction Amount: (\$1,001 - \$10,000) – Single Quotation Sourcing Procedure

- Supplier Pool: FWA Suppliers (Registered Suppliers if no FWA suppliers available)
- No minimum response period
- Minimum # of Bids: 3
- Evaluation Method: Email/Simple Comparison
- Supplier Award Approval: Budget Holder (by email)
- Sourcing Outcome: Purchase Order/Short Form Contract/FWA
- Sourcing Outcome Approval: Supply Chain & Financial + Legal, if applicable
- Vetting: Yes"

"Section 11 – Document Retention & Procurement File: A Procurement File for all Sourcing Procedures must be created and retained for 7 years (or longer if required by the donor or local law)."

"Section 11.1 – Procurement File Checklist: Single Quotation includes PR, Email Inviting Suppliers to Bid, Supplier Responses, Budget Holder Approval for Award, and PO."

Global Procurement Manual, Section 5.1 – Supplier Evaluation Key Principles, states in part:

"Suppliers must be evaluated against pre-defined Evaluation Criteria and scored objectively. The Essential Criteria should be applied to all Sourcing Procedures. Competitive Bid Analysis and Procurement Committees are mandatory for Formal Quotations and Open Tenders. Notes from the supplier evaluation must be kept and stored in the Procurement File for audit purposes."

Global Procurement Manual, Section 9.3 – Acceptable Exceptions to Sourcing Thresholds & Procedures, states in part:

"A Formal Quotation is acceptable for Utilities, Internet Service Providers, Fuel, Rent/Property Leasing, Hotels/Guest Houses, Restaurants and Livestock."

Global Procurement Manual, Section 10.1 – Key Contracting Principles, states in part:

"All purchases over \$100 (irrespective of whether a Waiver has been obtained) must:

- Be documented using an unamended Contractual Template (a Purchase Order, Contract or FWA).

Agreement, Section 1.6 – Procurement and Contracting, states in part:

*"(a) General*

- (1) Applicability – This Section applies to the procurement of goods and services by the Recipient using USAID funds provided hereunder.*
- (2) Noncompliance – Failure of the Recipient to comply with the requirements set forth herein may result in disallowance of costs in accordance with 2 CFR 200.403.*
- (3) General Procurement Requirements – The Recipient shall comply with the general procurement requirements prescribed in 2 CFR 200.317–326, including Subpart E – Cost Principles of 2 CFR 200."*

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 200.318(i), General procurement standards, state in part:

*"The Non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."*

2 CFR 200.334, Retention requirements for records, states in part:

*"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."*

2 CFR 200.404, Reasonable costs, states in part:

*"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:...*

*(c) Market prices for comparable good or services for the geographic area...*

*(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."*

Cause: [REDACTED] lacked adequate management review over procured goods and services. Furthermore, [REDACTED] did not adhere to its own procurement processes to ensure that proper documentation was obtained and retained to show goods and/or services were competitively procured in accordance with the company procurement policies and procedures.

Effect: Lack of adherence to procurement policies and procedures to ensure competitive vendor/supplier selection can result in the acquisition of goods and/or services at inflated costs to the U.S. Government and can increase the risk of fraud, waste, and abuse.

Questioned Costs: Unsupported questioned costs identified totaled \$7,548, of which \$1,341 represents associated Indirect Costs.

| Issue Ref No. | Cost Category       | Samples Impacted | Unsupported Costs | Associated Indirect Costs | Total Unsupported Costs |
|---------------|---------------------|------------------|-------------------|---------------------------|-------------------------|
| 1             | Travel and Per Diem | 2                | \$ 998            | \$ 216                    | \$ 1,214                |
| 2             | Program Costs       | 3                | 5,209             | 1,125                     | 6,334                   |
| Totals        |                     | 5                | \$ 6,207          | \$ 1,341                  | \$ 7,548                |

1) We recommend that [REDACTED] provide evidence to demonstrate that goods and/or services were competitively procured, or return \$7,548 of unsupported costs to the U.S. Government for which there was a lack of adherence with procurement procedures.

**Management Response:**

█ provided detailed responses to each item in the communication dated June 17, 2022. In this file, we explained that many of the noted questions on allocation were regarding costs related directly to the USAID project.

During the course of the audit, █ explained to auditors the ground limitations to seek competitive quotes for some costs, such as hotel services in field remote areas for staff accommodations. In such circumstances, due diligence is achieved through other approvals.

2) We recommend that █ develop procedures to improve supervisory review and controls to follow its procurement manual and document procurement efforts to ensure vendors/suppliers are competitively selected for goods and/or services.

#### Management Response:

█ provided detailed responses to each item in the communication dated June 17, 2022. In this file, we explained that many of the noted questions on allocation were in regards to costs incurred directly for the USAID project.

#### Finding 2022-06: █ Self-Disclosed an Internal Violation of █ █ Procurement Processes related to Two Vehicle Rental Contracts

Nature of Finding: Non-Compliance (Fraud); Internal Control – Significant Deficiency

Condition: Based on our inquiries with █ we noted that there were two vehicle rental contracts that did not go through a proper competitive bid process, which was in violation of the █ procurement policies and procedures. █ indicated that this violation was investigated, and the conclusions determined that the contracts were not procured in a manner consistent with the policies and procedures, which resulted in █ disallowing the total impacted cost of \$4,306.

Further inquiries with █ management noted that the total impacted costs in question were reimbursed to USAID. However, upon review of the reimbursement support and our follow up inquiries with █ it was noted that associated indirect costs of \$930 were not calculated and reimbursed for the finding.

#### Criteria:

█ Global Procurement Manual, states in part:

*"Section 4.2 – Sourcing Procedures: Sourcing Thresholds are set globally, and if required due to local context, COs can request adapted Thresholds. These must be approved by the Regional Supply Chain Lead and Global Head of Procurement..." [Auditor note: This section contains a detailed diagram which details the necessary procedures to be taken for sourcing thresholds <\$100 to >\$100,000. Below is a summary of the required procurement documentation for the sourcing threshold related to the vehicle rental transactions]:*

#### Transaction Amount: (\$1,001 - \$10,000) – Simple Quotation Sourcing Procedure

- Supplier Pool: FWA Suppliers (Registered Suppliers if no FWA suppliers available)
- No minimum response period
- Minimum # of Bids: 3
- Evaluation Method: Email/Simple Comparison
- Supplier Award Approval: Budget Holder (by email)
- Sourcing Outcome: Purchase Order/Short Form Contract/FWA
- Sourcing Outcome Approval: Supply Chain & Financial + Legal, if applicable
- Vetting: Yes"

*"Section 11 – Document Retention & Procurement File: A Procurement File for all Sourcing Procedures must be created and retained for 7 years (or longer if required by the donor or local law)."*

(Continued)

**2 CFR 200.318(i), General procurement standards states:**

*"The Non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."*

**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 200.404, Reasonable costs, states in part:**

*"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:...*

*(c) Market prices for comparable good or services for the geographic area;*

*(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees...and the Federal Government;*

*(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."*

**Cause:** [REDACTED] stated that there were procurement irregularities that occurred within [REDACTED] internal processes causing a failure to obtain competitive bids for the two vehicle contracts noted. [REDACTED]

According to [REDACTED] this situation was disclosed to USAID.

**Effect:** Lack of adherence to procurement policies and procedures to ensure competitive vendor/supplier selection can result in the acquisition of goods and/or services at inflated costs to the U.S. Government and can increase the risk of fraud, waste, and abuse.

**Questioned Costs:** [REDACTED] reimbursed USAID the full amount of \$4,306 in March 2022 pursuant to our review of support documentation provided. However, the associated indirect costs were not calculated and reimbursed for the finding. Therefore, only the associated indirect costs of \$930 are reported as questioned costs.

**1) We recommend that [REDACTED] provide sufficient evidence to demonstrate that associated indirect costs related to the issue identified were reimbursed, or return \$930 in associated indirect costs.**

**Management Response:**

As noted previously, there was a potential fraud disclosure to USAID and related investigation. The review was not conclusive that fraud had occurred or that [REDACTED] did not follow the procurement guidelines for these two vendors. However, during the review of the details of investigation, some irregularities in travel logs were identified. Because of this, [REDACTED] conservatively removed the costs from the award. The aforementioned finding appears misleading and we would request to remove from the draft report.

Related to ICR (\$930) for this particular award, we have chargeable ICR in excess of the budget per our NICRA agreement as exhibited by our final SF425 (where it details we were unable to recover our full ICR rate in reporting by the difference in box 11 ICR for calculated vs federal share included as expenditure). In other words, because we have not completed budget adjustment, we have calculated billable ICR in excess of what we were able to charge in the

award (foregone ICR amounts). Therefore, when we have credit of expenses related to self-disclosed item, there was no impact to ICR. This review was done at notice of findings. In other circumstances, and when ICR amounts billed are impacted, we would of course have reimbursed USG. We have communicated the same to the auditors throughout the engagement.

**Finding 2022-07: [REDACTED] did not adhere to its internal Travel Policies and Procedures**

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

**Condition:** Conrad tested 37 Travel and Per Diem transactions valued at \$13,661 out of a population of 574 transactions valued at \$56,381. The testing was intended to determine if the costs incurred under the Award were adequately supported, accurate, allowable, and properly approved. Based on our testing, we noted that in some instances [REDACTED] did not adhere to their Travel Policies and Procedures. The exceptions are outlined below:

- 1) For two (2) sampled transactions, [REDACTED] charged per diem rates to the project that were higher than the rates outlined in [REDACTED] travel policy. This resulted in questioned costs in the amount of \$70, as detailed below:

| Period of Travel    | Total Per Diem per [REDACTED] (AFN) | Total Per Diem per Audit (AFN) | Variance (AFN) | Conversion Rate (USD-AFN) | Total Unsupported Costs |
|---------------------|-------------------------------------|--------------------------------|----------------|---------------------------|-------------------------|
| 04/19/20 – 04/23/20 | 16,500                              | 13,000                         | 3,500          | 75.7692                   | \$ 46                   |
| 03/01/20 – 03/04/20 | 8,575                               | 6,750                          | 1,825          | 75.8136                   | 24                      |
| <b>Totals</b>       | <b>25,075</b>                       | <b>19,750</b>                  | <b>5,325</b>   |                           | <b>\$ 70</b>            |

- 2) For two (2) sampled transactions, [REDACTED] was unable to provide a Travel Authorization Request ("TAR") form as required by the travel policy. In addition, for another two (2) sampled transactions, [REDACTED] was able to provide a TAR form, but the form was missing evidence of approval from the line manager as required by the travel policy. However, [REDACTED] was able to provide all other relevant support for these transactions. As such, there are no questioned costs as it relates to these issues.
- 3) For one (1) sampled transaction, [REDACTED] was unable to provide supporting documentation related to airfare charges. This resulted in questioned costs in the amount of \$494.
- 4) For two (2) sampled transactions, [REDACTED] charged the Award for lodging costs in excess of what was authorized on the TAR. This resulted in questioned costs in the amount of \$64.

## Criteria:

██████████ Administration and Travel Policy, Section 3.15.3 – National Per Diem Rates, states in part:

*"B. Employees shall be entitled to per diem rates for boarding during official travel to the districts when an overnight stay is required, in AFN as follows:*

|      |           |           |
|------|-----------|-----------|
| i)   | Breakfast | 100       |
| ii)  | Lunch     | 150       |
| iii) | Dinner    | 150       |
|      | Total     | 400 AFN." |

██████████ - Afghanistan Administration and Travel Policy, states in part:

*"Section 3.1 – Guidelines: All employees who travel on business are required to comply with the following procedures:*

*...d) All employees should provide a travel plan to their line manager.*

*e) Raise a TAR (Travel Authorization Request) online for international trips, offline for domestic trips and make sure it is approved.*

*f) Take any mandatory training required, before traveling.*

*g) All local / in-country business trips require the pre-approval of the employee's line manager and department head.*

*h) All international business trips require the pre-approval of the Country Director or his /her Designate.*

*i) All business trips must be within an approved budget."*

██████████ Country Office Finance Manual, Section 12.3.3 – Document Retention, states in part:

*"The ██████████ document retention requirements are defined in the Data Protection and Document Retention Policy, Section 3. While the minimum retention period is 6 years, it may be longer."*

2 CFR 200.334, Retention requirements for records, states in part:

*"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."*

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..."

**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) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart."

**Cause:** [REDACTED] did not provide adequate management oversight to ensure adherence to its internal travel policies and procedures. In addition, [REDACTED] also stated that they believed supporting documentation exists, but due to the COVID-19 pandemic, [REDACTED] many employees were forced to work from home and were unable to retrieve documents that were kept in hard copy in their field offices.

**Effect:** Lack of adherence to the appropriate travel policies and procedures increases the risk of overcharging the project and potentially abusing Federal funds by charging goods and services that might not have been incurred or are unrelated to the project.

**Questioned Costs:** Unsupported questioned costs identified totaled \$764, of which \$136 represents indirect costs. See details below.

| Issue Ref No. | Cost Category       | Samples Impacted | Unsupported Costs | Associated Indirect Costs | Total Unsupported Costs |
|---------------|---------------------|------------------|-------------------|---------------------------|-------------------------|
| 1             | Travel and Per Diem | 2                | \$ 70             | \$ 15                     | \$ 85                   |
| 2*            | Travel and Per Diem | 4                | -                 | -                         | -                       |
| 3             | Travel and Per Diem | 1                | 494               | 107                       | 601                     |
| 4             | Travel and Per Diem | 2                | 64                | 14                        | 78                      |
| Totals        |                     | 9                | \$ 628            | \$ 136                    | \$ 764                  |

[REDACTED] provided all other transaction support for these transactions. As such, there are no questioned costs as it relates to these issues.

**Recommendation from Conrad:**

- 1) We recommend that [REDACTED] provide the appropriate source documentation to properly substantiate that the costs claimed were allowable and allocable to the project under audit, or return \$764 in questioned unsupported costs.

**Management Response:**

As noted in prior dialogues, explanations have been provided for each line item where costs were questioned, along with additional substantiation where necessary. In some cases per diems utilized were for multiple staff, and thus the per diem paid was cumulative total of the per diems per policy. Approval for TARs were provided as part of the supporting packets--- where the actual submittal was not available (due to this being an offline system), we provided the files that were included in the review processes to substantiate the coding. In instances where there is a negligible change in amounts outside of the original TAR planning/quotes, email dialogues were provided to substantiate the approval where possible.

- 2) We recommend that [REDACTED] develop and implement additional oversight controls to ensure adherence to its retention policy for document maintenance and retention, and provide staff training to ensure they adhere to [REDACTED] retention policy. We also recommend enhancing the retention policy by requiring hard copies be scanned and maintained in a cloud-based server to ensure that employees working from home will have access to records.

**Management Response:**

As we noted at the beginning of the engagement, the environment in which we are working is one that is difficult. We had a skeleton staff focused on ongoing programming and are still dealing with emergency level in our country office. We had called out that we would expect delays at the beginning of the engagement, and even incorporated language on the same. At the end of the period, all relevant supporting documents were provided to the auditors. In some cases, the level of granularity expected by auditors on costs was not something that is in current practices or processes, but in our view does not mean that the cost out of compliance.

- 3) We recommend that [REDACTED] improve management oversight by implementing controls to ensure adherence to its travel policies and procedures.

**Management Response:**

[REDACTED] implements controls such as budget monitoring, budget holder approvals, line manager approvals and Travel Authorization Request processes to ensure proper controls in travel. To the extent feasible, [REDACTED] utilizes online platforms to document the flow of approvals, with copies of data pulls exhibiting these processes provided to auditors. Tickets, itineraries, and program descriptions were also shared with auditors.

**Finding 2022-08: Ineligible Gifts were Purchased and Distributed to Female Staff**

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

**Condition:** Conrad tested 28 Program Costs transactions valued at \$840,701 out of a population of 2,768 transactions valued at \$2,737,447 to determine if the costs incurred under the Award were adequately supported, accurate, allowable, and properly approved.

Based on our testing, we noted three instances where gift items such as cloth and body spray were purchased and distributed to female staff in celebration of International Women's Day. [REDACTED] did not provide evidence demonstrating the expenses supported programmatic purposes and were properly authorized in the budget. As such, this resulted in ineligible costs of \$393.

**Criteria:**

[REDACTED] Country Office Finance Manual, Section 2.9 Disallowable Expenditure states in part:

***“Definitions and explanations***

*There may be occasions when expenditure is charged to an award and it is later discovered that this expenditure is not permitted within the award rules. This is known as disallowable expenditure. In this situation the transaction should be allocated to another appropriate source of funds. The transfer needs to be authorized by the Budget Holder of the source of funds being allocated the expenditure (receiving Budget Holder).*

*If another appropriate source of funds cannot be identified within the country budget, then the Country Director should absorb the expenditure into the overhead (account code 7515 – award disallowed expenditure). If this is not possible they should seek advice from the Regional Finance Director...*

*... All material re-allocations require the written approval of the Country Director. As Country Office budgets vary, each country should agree and document what is material, in consultation with the Regional Finance Director.*

*If the disallowed expenditure is identified within the financial year, the Country Director will need to manage the overspend. If the country is unable to remain within budget, a report detailing the reasons why must be submitted to the Regional Director and Regional Finance Director. The transaction must be flagged as disallowed.*

*If the disallowed expenditure dates back more than one year, the Country Director should contact the Regional Director and Regional Finance Director for advice."*

**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;*
- (h) Cost must be incurred during the approved budget period..."*

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

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

- (1) Is incurred specifically for the Federal award;*
  - (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
  - (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart...*
- (c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies..."*

**2 CFR 200.421(e), Advertising and public relations, states in part:**

*"Unallowable advertising and public relations costs include the following:..."*

- (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs..."*

**2CFR 200.438 Entertainment costs, states:**

*"Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency."*

**Cause:** [REDACTED] management stated the Program's budget was flexible and that the gifts, which they considered promotional items, celebrating International Women's Day were allowable and did not require donor approval. [REDACTED] was not familiar with 2 CFR 200.421 and charged the Program for the promotional items believing they were allowable costs.

**Effect:** The U.S. Government was charged \$478 in ineligible gift expenses. [REDACTED] charged the U.S. Government for costs explicitly disallowed by the Federal Regulations. The lack of awareness of such requirements increases the risk that award funds are not used for the intended purpose and also increases the risk of fraud, waste, and abuse.

**Questioned Costs:** Ineligible costs identified totaled \$478, of which \$85 represents associated Indirect Costs.

**1) We recommend that [REDACTED] provide sufficient evidence to demonstrate that employee gift expenses supported programmatic purposes or were authorized in the budget, or return \$478 to the U.S. Government for the ineligible costs.**

**Management Response:**

As noted in dialogues during the audit period, the comment that "[REDACTED] were not familiar with 2 CFR 200.421 and charged the program believing they were allowable costs" is somewhat misleading. As noted in our explanations dated June 17, 2022, these items were included as incentives within the context of programming. The "gifts" were not used in promotion of [REDACTED] generally or in any fundraising initiatives, nor for mere entertainment as suggested by the criteria references. These were included as part of the budget and budget narrative (see page 42

of budget narrative provided) and approved in the agreement, as community level campaign activities.

2) We recommend that [REDACTED] develop policies and procedures in accordance with federal regulations – specifically related to the allowability of non-programmatic costs, including promotional items.

**Management Response:**

As per the above noted explanation, [REDACTED] feels they have a sufficient adherence to community level impact as described in program budgets and narratives. The cost in question is not promotional items as described in 2CFR200.421.

[REDACTED]

Financial and Close-out Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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[REDACTED] partially agreed with Findings No. 2022-03 and 2022-04, and disagreed with Findings No. 2022-01, 2022-02, 2022-05, 2022-06, 2022-07, and 2022-08. We have reviewed [REDACTED] responses and provided the following rebuttals:

- (1) **Finding No. 2022-01:** [REDACTED] disagrees with the finding and recommendations. It is [REDACTED] stance that reallocation of costs where an award has an overlapping term and purpose with other funding sources and the costs are legitimately allocated on a reasonable and fair cost basis, should not automatically render the cost questioned or disallowed. [REDACTED] noted that in times of transition from one award to another award, costs initially coded for the old award can be transferred to the new award as long as the cost is not outside the term or scope of the agreements. [REDACTED] also stated that in country offices where there are multiple funding sources, there is a level of shared direct costs for program implementation, and instances where multiple funding sources will fund one overarching project and contribute to the milestones and objectives.

**Auditor Rebuttal:** Although [REDACTED] had on-going awards that had overlapping cost activities, it is the responsibility of the recipient to track all costs incurred and allocate the appropriate amount of the costs actually related to the award, so as to not inflate costs charged to the award and not overlap funding from two or more awards. In addition, [REDACTED] has a cost allocation methodology in place where project costs are allocated, based on a unique identifier code, and, if there is a correction to be made, then appropriate documentation supporting the change should be properly maintained. That was not the case in this particular finding. Our finding remains unchanged.

In addition, [REDACTED] disagrees with all four recommendations. It is [REDACTED] perspective that the necessary responses and additional details have been provided to dispute the costs questioned and that appropriate controls surrounding cost allocation are in place.

- o **Rebuttal to Recommendation No. 1 –** [REDACTED] stated that *“Management’s perspective is that responses and additional details have been provided to dispute the costs questioned. This was provided with detailed explanations and additional supporting documentation in the June 17, 2022 email.”* We further reviewed the additional support provided by [REDACTED] on June 17, 2022 and concluded that the audit evidence provided did not support the justification and approval of the reallocation of the costs in questioned. For example, the additional documentation for samples ODC-37 and ODC-38 reinforced Conrad’s finding. As it showed the transactions were not incurred or coded for the work under its grant with USAID. The support demonstrated the samples were related to agreements between [REDACTED] and the [REDACTED]. Additionally, the additional support indicated that one of

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[REDACTED]

Financial and Close-out Audit of Costs Incurred Under  
Agreement No. [REDACTED]  
Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance  
Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

---

the transactions was incurred prior to the start of the grant. As such, our recommendation remains unchanged.

- **Rebuttal to Recommendation No. 2** – [REDACTED] stated “*Management disagrees with auditors’ premise that costs were “specifically disallowed” because they were charged to a later award when budgets are exceeded. The term of the prior award and the new award had overlapping dates.*” Federal Regulations specifically disallow the transferring of costs that exceeded the budget in one award to another award. The support for the costs identified stated that the costs were for a different award and no further support evidencing that the cost was actually incurred for the award under audit was provided. As such, our recommendation remains unchanged.
- **Rebuttal to Recommendation No. 3** – [REDACTED] stated “*There is no language in the CFR that disallows costs to be allocated on a fair share basis or recoded when issues are identified. When awards expire, but the objectives of the USAID award are still ongoing, then the allocation may change slightly to increase the fair share of the USAID award, while still being in compliance with the award terms and all applicable regulations.*” As cited in the criteria section of the finding, **2 CFR 200.405, Allocable Costs**, cost should be allocable to a specific award only. As such, our recommendation remains unchanged.
- **Rebuttal to Recommendation No. 4** – [REDACTED] stated “*Management has provided explanations exhibiting the process for reallocating costs. This is flagged by the country office or award management staff, an adjustment journal voucher is prepared according to normal processes, and this goes through proper approval pathways for posting the adjustment to the ledger.*” While [REDACTED] maintains that reallocations are prepared according to the normal processes, Conrad has recommended a formal revision of the procedures. Even without formal revision, however, [REDACTED] did not provide us with a compelling justification for the reallocation of costs. As such, our recommendation remains unchanged.

- (2) **Finding No. 2022-02:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] contends that since the questioned amount was removed from the revised SF425 submitted, the amount should be documented in the auditor’s working papers but not included in the report. Furthermore, [REDACTED] argued that Conrad should not question the associated indirect costs or recommend that [REDACTED] reimburse the government for the indirect costs as [REDACTED] has calculated billable indirect costs in

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[REDACTED]

Financial and Close-out Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

---

excess of what they were able to charge to the government. As such, the amount in question, if disallowed, would be replaced by other indirect costs that [REDACTED] was previously unable to bill and there would be no impact to the total amount billed to the U.S. government.

**Auditor Rebuttal:** Pursuant to our review of the repayment support documentation provided by [REDACTED] the \$17,899 reimbursement was settled on March 9, 2022, which is almost a year after the award end date. [REDACTED] provided an updated SPFS which reflected the reduction; however, as the costs remained in the original award general ledger as of March 23, 2021, it was necessary to include the costs to accurately present the costs incurred and recorded as of March 23, 2021.

In addition, the identified costs were incurred during the calendar year 2020 when [REDACTED] was still billing associated indirect costs and it was not until December 2020 when [REDACTED] hit the indirect cost budget cap. As the questioned transactions fell within this timeframe, it is deemed appropriate and reasonable to question the associated indirect costs. Furthermore, although [REDACTED] would still be eligible to be reimbursed for associated indirect costs if it did not hit the budget cap, it is the responsibility of the recipient to maintain accurate and proper accounting records of all direct and indirect costs related to a specific award. As such, our recommendation remains unchanged.

- (3) **Finding No. 2022-03:** [REDACTED] partially agrees with finding and recommendations. [REDACTED] agreed that a portion of the questioned costs should be disallowed and agreed to formalize policies and procedures. [REDACTED] did not agree with the issues surrounding missing or insufficient source documentation stating that information had been provided.

**Auditor Rebuttal:** [REDACTED] provided their responses to each of the recommendations in the finding. Please see auditor's rebuttal to all individual management responses below:

- o **Rebuttal to Recommendation No. 1 –** [REDACTED] stated “[REDACTED] provided responses to Conrad on June 17, 2022 after many rounds of information providing, detailing the instances where costs had already been removed (as exhibited by ledger listings for the credit of expenditures off of awards, additional timesheets provided, and also highlighting reasons for amounts not specifically matching one timesheet period's salary).” Based on review of the additional information provided, Conrad identified that the questioned cost for one sample can be pro-rated. This reduced the questioned cost amount for this sample by a total of \$1,559 from \$14,949 to \$13,390. The reduced amount is reflected in our finding and through-out the report. However, Conrad did not identify any further support that

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Financial and Close-out Audit of Costs Incurred Under  
 Agreement No. [REDACTED]  
 Awarded by the United States Agency for International Development's Office of Foreign  
 Disaster Assistance  
 Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
 Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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would reduce or remove the other questioned costs per our review of the additional information provided. As such, our recommendation remains otherwise unchanged.

- o **Rebuttal to Recommendation No. 2** – [REDACTED] stated “[REDACTED] has provided all timesheets requested. Any instances where timesheets were not provided, the charges were already removed or the timesheet has been provided to Conrad. See detailed comments from June 17, 2022 on each transaction item in question.” Upon our review of the supporting documentation provided, it was noted that [REDACTED] provided timesheets that were not related to our sample requests or did not provide the requested timesheets. We communicated with [REDACTED] the various reasons that the timesheets provided were insufficient, yet they never provided sufficient documentation and instead repeatedly submitted timesheets that were insufficient. Additionally, there was no evidence that unsupported costs were removed from the general ledger. As such, our recommendation remains unchanged.
  - o **Rebuttal to Recommendation No. 3** – [REDACTED] stated “[REDACTED] has a process for any instances of incremental salary increases and for offer letters related to employment. Please see supporting documentation provided June 17, 2022, where salary increment letters have been provided for questioned costs.” The information [REDACTED] provided did not include employment contracts and/or salary increment letters for the samples in question. As such, our recommendation remains unchanged.
  - o **Recommendation No. 4** - [REDACTED] accepts the recommendation as it pertains to revising the current policies and procedures related to timesheet submissions and approvals.
- (4) Finding No. 2022-04:** [REDACTED] partially agrees with the finding and recommendations. [REDACTED] stated that many of the noted questions on allocation, were directly for the USAID project, some instances were related to overlapping terms, and some costs received an allocation of costs. Additionally, where other projects have the same scope or were identified as being incorrectly coded initially, the CO provided explanation and support for the change in coding. [REDACTED] stated that it has agreed to accept the disallowance of the portion of the costs identified due to “budgetary reasons.”

**Auditor Rebuttal:** [REDACTED] provided their responses to each of the recommendations in the finding. Please see auditor's rebuttal to all individual management responses below:

(Continued)

[REDACTED]

Financial and Close-out Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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- o **Rebuttal to Recommendation No. 1** – [REDACTED] stated *"In this file, we explained that many of the noted questions on allocation, were directly for the USAID project, some instances were related to overlapping terms, and some costs received an allocation of costs. Additionally, where other projects have the same scope or were identified as being misappropriately coded initially, the CO provided explanation and support for the change in coding."* [REDACTED] agreed they should not have allocated costs to the grant for budgetary purposes. However, as stated in the finding, [REDACTED] ignored its shared cost policy and allocated 100% of costs that should have been shared amongst multiple awards to the award under audit. Additionally, the information [REDACTED] provided did not demonstrate that other allocated charges were incurred specifically for the award in question. As such, our recommendation remains unchanged.
  - o **Rebuttal to Recommendation No. 2** – [REDACTED] stated *"[REDACTED] has provided the processes and procedures related to our cost allocation methodology and instances where costs were direct charged throughout the course of the audit, as well as within the June 17, 2022 communication."* Conrad has reviewed and cited the cost allocation methodology for [REDACTED] and based on the issues noted in this finding, it was determined that additional controls surrounding the allocation of shared costs would benefit [REDACTED] when determining and recording shared costs. As such, our recommendation remains unchanged.
- (5) **Finding No. 2022-05:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] stated that many of the noted questions on allocation were regarding costs related directly to the USAID project and that the ground limitations to seek competitive quotes for some costs, such as hotel services in remote areas for staff accommodations. In such circumstances, due diligence is achieved through other approvals. In addition, [REDACTED] stated that many of the items where it appeared costs should be allocated were directly related to the grant under audit.

**Auditor Rebuttal:** [REDACTED] provided their responses to each of the recommendations in the finding. Please see auditor's rebuttal to all individual management responses below:

- o **Rebuttal to Recommendation No. 1** – [REDACTED] stated *"[REDACTED] provided detailed responses to each item in the communication dated June 17, 2022. In this file, we explained that many of the noted questions on allocation were regarding costs related directly to the USAID project. During the course of the audit, [REDACTED] explained to auditors the ground limitations to seek competitive quotes for some costs, such as hotel services in field remote areas for*

(Continued)

[REDACTED]

Financial and Close-out Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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*staff accommodations. In such circumstances, due diligence is achieved through other approvals." As stated in the finding, [REDACTED] did not follow its Single Quotation Sourcing Procedures for the transactions identified. Based on our review of the communication and additional support provided, it was noted that [REDACTED] was unable to provide procurement documents such as, competitive quotes, comparative bid analysis, and approval from budget holder that were required per their policies and procedures. In addition, no other support demonstrating a formal deviation from the process was provided. As such, our recommendation remains unchanged.*

- **Rebuttal to Recommendation No. 2** – [REDACTED] stated [REDACTED] provided detailed responses to each item in the communication dated June 17, 2022. In this file, we explained that many of the noted questions on allocation were in regards to costs incurred directly for the USAID project." As stated in the finding, [REDACTED] lacked adherence to their procurement policies and procedures which would demonstrate that goods and/or services were procured through a competitive selection process as to ensure that costs were not inflated. [REDACTED] management response did not address our recommendation to improve supervisory review and controls nor did the communication provided on June 17, 2022 address the finding condition identified. As such, our recommendation remains unchanged.

- (6) **Finding No. 2022-06:** [REDACTED] disagrees with the finding and recommendation. [REDACTED] stated that the finding is misleading and requested that the finding be removed from the report. Furthermore, it is [REDACTED] stance that Conrad should not question the associated indirect costs with this finding as [REDACTED] has calculated billable indirect costs in excess of what they were able to charge to the government. As such, the amount in question, if disallowed, would be replaced by other indirect costs that [REDACTED] was previously unable to bill and there would be no impact to the total amount billed to the US government.

**Auditor Rebuttal:** During the audit process, Conrad requested information on any known or potential fraud that may have occurred along with any monetary impact for the audit period. Pursuant to our request, [REDACTED] provided information indicating [REDACTED] did not go through the competitive bidding process as there was a procurement involving multiple or revised bids from the same companies in the bidding process for two rental vehicle contracts. The response regarding irregularities in travel logs was not shared with Conrad until now. The fraud correspondence provided between [REDACTED] and USAID discussed procurement issues only.

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[REDACTED]

Financial and Close-out Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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Furthermore, based on our review of the repayment support documentation provided by [REDACTED] the \$4,306 reimbursement was settled on March 9, 2022, which is almost a year after the award end date. The costs remained in the original award general ledger as of March 23, 2021 and it was necessary to include the costs to accurately present the costs incurred and recorded as of March 23, 2021. In addition, the costs were incurred during the calendar year 2020 when [REDACTED] was still billing associated indirect costs and it was not until December 2020 when [REDACTED] hit the indirect cost budget cap. As the questioned transactions fell within this timeframe, it is deemed appropriate and reasonable to question the associated indirect costs. Furthermore, although [REDACTED] would still be eligible to be reimbursed for associated indirect costs if it did not hit the budget cap, it is the responsibility of the recipient to maintain accurate and proper accounting records of all direct and indirect costs related to a specific award. As such, our recommendation remains unchanged.

- (7) **Finding No. 2022-07:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] stated that in some cases the per diems were for multiple staff, and thus the per diem paid was cumulative total of the per diems per policy. In addition, [REDACTED] stated that the appropriate approval documents were provided along with email dialogues and that appropriate controls surrounding travel are in place. In regard to the document retention issue, [REDACTED] cited a difficult working environment, noting the skeleton staff was focused on ongoing programming and difficult situation in the country office which impacted [REDACTED] ability to retain documentation.

**Auditor Rebuttal:** [REDACTED] provided their responses to each of the recommendations in the finding. Please see auditor's rebuttal to all individual management responses below:

- o **Rebuttal to Recommendation No. 1** – [REDACTED] stated “As noted in prior dialogues, explanations have been provided for each line item where costs were questioned, along with additional substantiation where necessary. In some cases, per diems utilized were for multiple staff, and thus the per diem paid was cumulative total of the per diems per policy. Approval for TARs were provided as part of the supporting packets---where the actual submittal was not available (due to this being an offline system), we provided the files that were included in the review processes to substantiate the coding.” Based on our review of the additional support documentation provided, Conrad noted [REDACTED] provided sufficient support to remove question costs for two travel samples related the lodging costs in excess of what was authorized in the TAR (Sub-condition no. 4). This reduced the questioned cost by a total of \$78 from \$764 to \$686. The reduced amount is reflected in this finding and throughout the report. However, no other support was provided that

(Continued)

[REDACTED]

Financial and Close-out Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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equated to the excess per diem amounts identified. As such, our recommendation for the other travel expenses in questioned remains unchanged.

- o **Rebuttal to Recommendation No. 2** – [REDACTED] stated *“As we noted at the beginning of the engagement, the environment in which we are working is one that is difficult. We had a skeleton staff focused on ongoing programming and are still dealing with emergency level in our country office. We had called out that we would expect delays at the beginning of the engagement, and even incorporated language on the same. At the end of the period, all relevant supporting documents were provided to the auditors. In some cases, the level of granularity expected by auditors on costs was not something that is in current practices or processes, but in our view does not mean that the cost out of compliance.”* As stated in the finding conditions, there were instances where full audit evidence was not provided to fully verify the legitimacy of the cost charged. For example, Conrad requested support for an airfare charge and the information provided was not related to the sample transaction as the description and the cost per the support provided did not agree to the general ledger. Missing or unrelated support was communicated to [REDACTED] on numerous occasions with only an explanation being received and/or the same documentation being provided. Although [REDACTED] was working in a difficult environment during the audit, [REDACTED] should have implemented additional policies and procedures to ensure evidence in support of the project was properly maintained and followed the retention policy during the difficult time. As such, our recommendation remains unchanged.
- o **Rebuttal to Recommendation No. 3** – [REDACTED] stated *“[REDACTED] implements controls such as budget monitoring, budget holder approvals, line manager approvals and Travel Authorization Request processes to ensure proper controls in travel. To the extent feasible, [REDACTED] utilizes online platforms to document the flow of approvals, with copies of data pulls exhibiting these processes provided to auditors. Tickets, itineraries, and program descriptions were also shared with auditors.”* During the audit, Conrad obtained and reviewed the controls surrounding travel. Based on our review and testing of travel transactions, it was concluded that [REDACTED] could benefit by applying additional oversight controls to ensure proper cost support is present and the support fully substantiates the specific transaction. As such, our recommendation remains unchanged.

(Continued)

[REDACTED]

Financial and Close-out Audit of Costs Incurred Under  
Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Office of Foreign  
Disaster Assistance

Building a Culture of Resilience and Saving Lives through Integrated Emergency Response to  
Disaster and Conflict Affected Populations in Afghanistan

For the period September 24, 2019 through March 23, 2021

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

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- (8) **Finding No. 2022-08:** [REDACTED] disagrees with the finding and recommendations. [REDACTED] stated that the "gifts" were not used in promotion of [REDACTED] generally or in any fundraising initiatives, nor for mere entertainment as suggested by the criteria references.

**Auditor Rebuttal:** [REDACTED] provided their responses to each of the recommendations in the finding. Please see auditor's rebuttal to all individual management responses below:

- o **Rebuttal to Recommendation No. 1 -** [REDACTED] stated "As noted in dialogues during the audit period, the comment that '[REDACTED] were not familiar with 2 CFR 200.421 and charged the program believing they were allowable costs' is somewhat misleading. As noted in our explanations dated June 17, 2022, these items were included as incentives within the context of programming. The "gifts" were not used in promotion of [REDACTED] generally or in any fundraising initiatives, nor for mere entertainment as suggested by the criteria references. These were included as part of the budget and budget narrative (see page 42 of budget narrative provided) and approved in the agreement, as community level campaign activities." Although [REDACTED] does not consider the gifts to have been used in promotion of [REDACTED] the gifts were nonetheless promotional items which are explicitly prohibited by 2 CFR 200.421. During our review of the supporting document, [REDACTED] invoice authorization form stated the items were given to staff in an Afghanistan field office as a gift during the International Women Day event. Furthermore, the expenses were allocated among various projects in Afghanistan which suggests they gifts were a general promotion event for [REDACTED] in Afghanistan. Finally, the budget narrative refers to "Conducting community level campaign to address the negative and harmful cultural practices that promote sexual violence, early marriages, physical and humiliating punishments and gender equality." However, gifts to female staff were not included in the narrative, and the narrative cannot be construed to include such gifts. As such, our recommendation remains unchanged.
- o **Rebuttal to Recommendation No. 2 -** [REDACTED] stated "As per the above noted explanation, [REDACTED] feels they have a sufficient adherence to community level impact as described in program budgets and narratives. The cost in question is not promotional items as described in 2 CFR 200.421." Based on our finding condition and rebuttal provided, it is recommended that [REDACTED] develop more robust policies and procedures over non-programmatic and promotional costs. As such, our recommendation remains unchanged.

(Continued)

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## SIGAR's Mission

### Public Affairs Officer

- Phone: 703-545-5974
- Email: [sigar.pentagon.ccr.mbx.public-affairs@mail.mil](mailto:sigar.pentagon.ccr.mbx.public-affairs@mail.mil)
- Mail: SIGAR Public Affairs  
2530 Crystal Drive  
Arlington, VA 22202