

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR Financial Audit 13-6**

USDA's Program to Help Advance the Revitalization of  
Afghanistan's Agricultural Sector: Audit of Costs Incurred  
by Volunteers for Economic Growth Alliance



**JULY  
2013**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

July 3, 2013

The Honorable Tom Vilsack  
Secretary of Agriculture  
U.S. Department of Agriculture

Mr. Philip Karsting  
Administrator, Foreign Agricultural Service  
U.S. Department of Agriculture

This letter transmits the results of our audit of costs incurred by Volunteers for Economic Growth Alliance (VEGA) under a USDA cooperative agreement, "Capacity Building and Change Management Program."<sup>1</sup> The audit covered the period November 24, 2010, through December 31, 2012, and was performed by Mayer Hoffman McCann P.C. It covered \$17,238,627 in expenditures. The purpose of the cooperative agreement was to enhance the capability and effectiveness of the Afghan Ministry of Agriculture, Irrigation, and Livestock. The specific objectives of this financial audit were to

- render an opinion on the fair presentation of VEGA's Fund Accountability Statement;<sup>2</sup>
- determine and report on whether VEGA has taken corrective action on recommendations from prior audits or assessments;
- identify and report on significant deficiencies, including any material weaknesses, in VEGA's internal financial controls; and
- identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.

In contracting with an independent audit firm and drawing from the results of their audit, SIGAR is required by auditing standards to provide oversight of the audit work performed. Accordingly, SIGAR reviewed Mayer Hoffman McCann's audit results and found them to be in accordance with generally accepted government auditing standards.

Mayer Hoffman McCann found that except for the possible effects of (1) not being able to review accounting records for November and December 2012, totaling \$2,647,577 in costs<sup>3</sup> and (2) questioning \$720,501 in unsupported<sup>4</sup> costs, the Fund Accountability Statement presented fairly, in all material respects, revenues received and costs incurred under the cooperative agreement. Mayer Hoffman McCann also identified two unresolved observations from a prior pre-award survey that were not fully addressed. The audit firm reported these two unresolved observations as instances of noncompliance and reported five internal control deficiencies.

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<sup>1</sup> USDA cooperative agreement no. 58-3148-1-042.

<sup>2</sup> The Fund Accountability Statement is a special purpose financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

<sup>3</sup> At the time of the audit, VEGA had not closed its accounting records for November and December 2012.

<sup>4</sup> Unsupported costs are those costs for which adequate or sufficient documentation necessary for the auditor to determine the propriety of costs was not made available.

See table 1 below.

**Table 1 - Summary of Questioned Costs**

Category	Questioned Costs Total	Ineligible	Unsupported
Personnel	\$74,381		\$74,381
Fringe	26,754		26,754
Travel	34,785		34,785
Supplies	4,860		4,860
Subcontracts	60,336		60,336
Other direct costs	338,760		338,760
Indirect costs	180,625		180,625
Total	\$720,501	\$0	\$720,501

Given the results of the audit, SIGAR recommends that USDA:

1. Determine the allowability of and recover, as appropriate, \$720,501 in questioned costs identified in the report.
2. Advise Volunteers for Economic Growth Alliance to address the five internal control findings identified in the report.
3. Advise Volunteers for Economic Growth Alliance to address the two compliance findings identified in the report.

We will be following up with your agency to obtain information on the corrective actions taken in response to our recommendations.



John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

**VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

For the Period November 24, 2010 to December 31, 2012

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

For the Period November 24, 2010 to December 31, 2012

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# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

For the Period November 24, 2010 to December 31, 2012

## **SUMMARY**

### **Background**

The Special Inspector General for Afghanistan Reconstruction (SIGAR) contracted with Mayer Hoffman McCann P.C. (MHM) to perform a Financial Audit of Costs Incurred under Cooperative Agreement No. 58-3148-1-042 (Agreement), between Volunteers for Economic Growth Alliance (VEGA) and the United States Department of Agriculture (USDA) for the period November 24, 2010 to December 31, 2012.

Since 2002 the United States has invested over \$1 billion to rebuild Afghanistan's agricultural sector. Specifically, the U.S. Department of Agriculture (USDA) and U.S. Agency for International Development (USAID) have provided over \$77 million to help build the capacity of the Afghanistan Ministry of Agriculture, Irrigation and Livestock (MAIL) to better serve Afghan farmers and promote private sector development. According to the U.S. Embassy's Agricultural Assistance Strategy for Afghanistan, USDA, USAID, and the U.S. Department of Defense have responsibility for helping MAIL build its capacity to deliver services to rural farmers and herders and promote private sector and farm associations. Currently, the U.S. government is pursuing a policy of target, train and transition in Afghanistan and to that end, U.S. and international donors have committed to channeling at least 50 percent of development assistance through the Afghan government by 2012.

MAIL is expected to play a significant role in fulfilling this commitment. However, both USAID and the Government Accountability Office have identified challenges in MAIL's ability to manage its operations. To assist MAIL's capacity to manage donor funding for agricultural services and provide assistance to Afghan farmers, USDA awarded a cooperative agreement to the Volunteers for Economic Growth Alliance (VEGA). This award, made in November 2010, is intended to operate the 4-year \$36 million Capacity Building and Change Management Program (CBCMP). Since VEGA received the award, it has worked with MAIL to streamline MAIL headquarters operations and initiate CBCMP programs in selected provinces.

The award was made to VEGA, which subcontracted to the International Executive Service Corps (IESC) to implement and monitor the program. The IESC serves as the lead implementer for the four-year CBCMP with MAIL. IESC heads a team comprised of the International City/County Management Association (ICMA), Land O'Lakes, Institute of International Education (IIE), and International Senior Lawyers Project (ISLP).

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

For the Period November 24, 2010 to December 31, 2012

## **SUMMARY**

### **Objectives, Scope and Methodology**

#### **Objectives**

The objectives of the audit include the following:

- *Internal Controls* – Evaluate and obtain a sufficient understanding of VEGA's 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 VEGA 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.
- *Corrective Action on Prior Audit Recommendations* – Determine and report on whether VEGA has taken adequate corrective action on prior external audit report recommendations or other external assessment recommendations.
- *The Fund Accountability Statement (FAS)* – Express an opinion on whether the FAS presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government and fund balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

#### **Scope**

The scope of this audit included all costs incurred during the period November 24, 2010 to December 31, 2012 under the Agreement.

#### **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 December 17, 2012 with representatives of VEGA, the International Executive Service Corps (IESC), SIGAR and USDA in attendance.

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

For the Period November 24, 2010 to December 31, 2012

## **SUMMARY**

### Planning

During our planning phase, we performed the following:

- Obtained an understanding of VEGA and IESC;
- Reviewed awards and modifications to VEGA;
- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques.

### Internal Control Related to the FAS

We reviewed VEGA's internal controls related to the FAS. This review was accomplished through interviews with management and key personnel, review of policies and procedures, identifying key controls within significant transaction cycles, and testing those key controls.

### Compliance with the Cooperative Agreement Requirements and Applicable Laws and Regulations

We reviewed the Agreement, modifications and any subawards and documented all compliance requirements that could have a direct and material effect on the FAS. We assessed inherent and control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance.

### Corrective Action on Prior Audit Recommendations

We inquired of VEGA and IESC as to all prior audit reports, external evaluations and assessments, and reviewed and evaluated the status of accompanying recommendations by reviewing evidence of any corrective actions taken.

### Fund Accountability Statement

In reviewing the FAS, we performed the following:

- Reconciled the costs on the FAS to the Agreement and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Agreement, and reasonable.

### Pre-Exit Conference

A pre-exit conference was held on March 1, 2013 with VEGA to discuss the status of the audit. A final pending list consisting of items requiring follow-up and/or additional documentation from VEGA was provided to VEGA along with a due date for submission.

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

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## **SUMMARY**

### **Exit Conference**

An exit conference was held on March 14, 2013. Attendees included VEGA, IESC, SIGAR and USDA. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

### **Summary of Results**

Our audit of the costs incurred by VEGA under Agreement with USDA identified the following matters:

### **Auditor's Opinion on FAS**

We issued a qualified opinion on the fairness of the presentation of the FAS based upon the identification of \$720,501 of questioned costs, which represents a material misstatement of the FAS. The ultimate determination of whether the identified questioned costs are to be accepted or disallowed rests with USDA. Additionally, there was a scope limitation surrounding the availability of records as detailed in the following subsection of this report. This scope limitation is also included as part of the qualified opinion.

### **Scope Limitation**

We were unable to determine whether the costs claimed from November 1, 2012 through December 31, 2012 were reasonable, allowable and allocable to the Agreement in accordance with OMB Circular A-122 as VEGA's accounting records had not been closed for the financial transactions incurred during this period and financial records were not readily available for testing during our audit fieldwork. According to management and review of the Financial Status Report submitted for December 31, 2012, total costs incurred from November 1, 2012 through December 31, 2012 was \$2,647,577.

### **Questioned Costs**

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are deemed to not be allowable in accordance with the terms of the Agreement or applicable laws and regulations. Unsupported costs are those costs for which no or inadequate supporting documentation was provided for our review. A summary of questioned costs is as follows.

#### **Ineligible Costs**

Our audit identified no costs that were deemed to be ineligible.

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

## **Financial Audit of Costs Incurred under Cooperative Agreement No. 58-3148-1-042**

For the Period November 24, 2010 to December 31, 2012

### **SUMMARY**

#### **Unsupported Costs**

- Hours reported by the Program Manager for 2012 were based upon estimates rather than actual hours worked. Additionally, timesheets were not consistently signed by the employees and approved by the supervisors. This resulted in personnel, fringe and indirect questioned costs of \$107,032. See Finding 2013-1 in the Findings and Responses section of this report.
- Expenses incurred for travel, supplies, subcontracts, and other direct costs, were either unsupported, lacked management approval, lacked USDA approval, were not translated to English and/or were not competitively bid resulting in questioned costs, including indirect cost of \$613,469. See Finding 2013-2 in the Findings and Responses section of this report.

#### **Internal Control Findings**

Internal control findings are classified into three categories, deficiency, significant deficiency, and material weakness. 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 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. 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 FAS will not be prevented, or detected and corrected on a timely basis. A summary of the internal control findings noted as a result of the audit are as follows:

#### **Material Weakness**

No material weaknesses were reported.

#### **Significant Deficiency**

The following significant deficiencies were reported:

Finding Number	Internal Control Finding – Significant Deficiency	Auditee's Concurrence
2013-1	VEGA reported hours worked based upon estimates, and timesheets were not consistently signed by employees and approved by supervisors.	Disagree
2013-2	VEGA did not consistently follow procurement procedures related to travel, supplies, equipment, contractual and other	Disagree

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

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For the Period November 24, 2010 to December 31, 2012

### **SUMMARY**

Finding Number	Internal Control Finding – Significant Deficiency	Auditee's Concurrence
	direct costs.	
2013-3	The Accountant prepares the monthly bank reconciliation for VEGA, receives the bank statements directly and also has access to cash receipts and cash disbursements. These are incompatible functions that are typically segregated to avoid misappropriation of funds, and there is no evidence of a supervisory review of the bank reconciliation.	Agree
2013-4	The inventory of capital assets in Afghanistan was not reconciled to the general ledger. VEGA performed a reconciliation for the purpose of this audit and noted that \$11,778 of capital assets had not been properly recorded into the general ledger.	Agree
2013-5	Out of the 8 subcontractors tested for excluded parties, VEGA did not perform an excluded parties check for 3 of the subcontractors. We reviewed the excluded parties list for these 3 subcontractors and determined that they were not on the list.	Agree

The complete management response from VEGA to each of the internal control findings can be found in the Findings and Responses section of this report.

### **Deficiencies**

No deficiencies were reported.

### **Compliance Findings**

As part of obtaining reasonable assurance about whether the FAS is free from material misstatement, we performed tests of its compliance with certain provisions of the Cooperative Agreement and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of FAS. The results of our tests disclosed the following instances of non-compliance.

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

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### **SUMMARY**

Finding Number	Compliance Finding	Auditee's Concurrence
2013-6	Program and financial personnel from VEGA and IESC made numerous trips to Afghanistan during the audit period. Explanations for these trips were that they were undertaken to monitor the subrecipients. However, these trips were not supported by monitoring or status reports that described the purpose of the trip and the benefit to the Agreement.	Agree
2013-7	VEGA included unallowable ballpark fees in its indirect cost pool in determining its indirect cost rate.	Disagree

### **Review of Prior Findings and Recommendations**

We reviewed the corrective actions taken to address findings and recommendations from previous engagements that could have a material effect on the FAS. There were two prior engagements with findings and recommendations that were included in the scope of our audit. In the Single Audit Report for 2009, there was one finding for which adequate corrective action has been implemented and the finding is considered resolved. In the United States Agency for International Development (USAID) Pre-Award Survey, there were 4 observations identified. Of the 4 observations, 2 had corrective actions which have been adequately implemented and 2 remain outstanding and have been included as Findings 2013-6 and 2013-7 in the Findings and Responses section of this report. A summary of these prior findings and recommendations is as follows:

### **Single Audit Reports**

VEGA provided its Single Audit Reports for the years ended December 31, 2009, 2010 and 2011. One finding was noted in its 2009 Single Audit Report. There were no findings in the 2010 and 2011 Single Audit Reports.

- Improper Revenue Recognition

#### **Recommendation**

A reconciliation of grant revenues and receivables should be done on a monthly basis. The accounting records should be updated to reflect this reconciliation.

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
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For the Period November 24, 2010 to December 31, 2012

### **SUMMARY**

#### Status of Corrective Action

VEGA is now reconciling grant revenues as required. The corrective action has been adequately implemented and this finding has been resolved.

### **USAID Pre-Award Survey**

The USAID conducted a pre-award survey on VEGA in 2010. The report indicated the following observations, but had no recommendations.

- Unallowable Costs

#### Condition

It was noted that VEGA's accounting system did not identify or segregate unallowable costs as required by 22 CFR 226.21(b)(6), Administration of Assistance Awards to U.S. Non-Government Organizations, standards for Financial Management Systems and 2 CFR 230, Cost Principles for Non-Profit Organizations. Additionally, VEGA did not have sufficient written policies and procedures for the handling and segregation of unallowable costs on U.S. Government grants.

#### Status of Corrective Action

In June 2010, VEGA changed its accounting software to SAGE MIP, which is capable of segregating unallowable costs per 22 CFR 226.21(b)(6) and updated their manual accordingly. We reviewed the system and the updated manual to ensure it has the capability of segregating unallowable costs. The corrective action has been adequately implemented and this finding has been resolved.

- Inadequate Funding Request Policies and Procedures

#### Condition

Although VEGA receives the majority of its funding through a letter of credit, there were no adequate written policies and procedures relating to funding requests and approvals.

#### Status of Corrective Action

We reviewed VEGA's updated written policies and procedures, which incorporated the handling and approvals relating to letters of credit. The corrective action has been adequately implemented and this finding has been resolved.

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

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## **SUMMARY**

- Subcontractor Monitoring

### Condition

VEGA did not adequately monitor subrecipients of USAID funds for compliance with the 2 CFR 230 cost principles or the implementation of the award. This included the evaluation of the detailed supporting documentation for subrecipient's request for funds and unannounced site visits.

### Status of Corrective Action

We interviewed VEGA staff regarding its procedure for reviewing funding requests and determined that site visits were performed of subrecipients. However, VEGA did not document the results of its monitoring site visits. See Finding 2013-6 in the Findings and Responses section of this report.

- No logical and Consistent Method of Allocating Indirect Costs

### Condition

VEGA did not have a logical and consistent method of allocating indirect costs in accordance with 2 CFR 230 cost principles, Section (D), Allocation of Indirect Costs and Determination of Indirect Cost rates. As such, VEGA was requested to develop a cost rate structure with 2 CFR 230 to include the methodology used to calculate the indirect cost rate and written policies and procedures for the identification and treatment of indirect costs in VEGA's cost proposal.

### Status of Corrective Action

VEGA stated that they now use the negotiated indirect cost rate calculation suggested by USAID. During our review of the indirect cost rate calculation, we noted that a ballpark fee tax was included in the calculation. This tax should have been excluded as VEGA is exempt from the tax. We performed a cursory review of the overhead calculation and noted no anomalies, although a review of the indirect cost rate was not included in the scope of our audit. See Finding 2013-7 in the Findings and Responses section of this report.



**Mayer Hoffman McCann P.C.**

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## **INDEPENDENT AUDITOR'S REPORT ON FUND ACCOUNTABILITY STATEMENT**

### *Report on the Fund Accountability Statement*

We have audited the accompanying Fund Accountability Statement of Volunteers for Economic Growth Alliance (VEGA) under Cooperative Agreement No. 58-3148-1-042 (Agreement) with the United States Department of Agriculture (USDA) for the period November 24, 2010 through December 31, 2012, and the related notes to the Fund Accountability Statement.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the Fund Accountability Statement in accordance with the methods of preparation described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements (including the Fund Accountability Statement) that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Fund Accountability 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. Except as it relates to continuing education and peer review requirements as discussed in the following paragraph. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free from material misstatement.

*Government Auditing Standards* require, among other things, that auditors performing audits in accordance with *Government Auditing Standards* obtain 24 hours of continuing professional education every 2 years, and the audit organization have an external peer review performed by reviewers independent of the organization at least once every three years. We subcontracted a

portion of the audit to an independent chartered public accounting firm with an office located in Kabul, Afghanistan. The work performed by our subcontractor consisted of conducting interviews of local staff hired by VEGA and observing the existence of inventory. Our subcontractor was not involved in the planning, directing or reporting aspects of the audit. Our subcontractor did not meet the continuing professional education requirements or peer review requirements as outlined in *Government Auditing Standards*, as the firm is located and licensed outside of the United States of America. The results of the audit were not affected as we directed the procedures performed and reviewed the work completed by our subcontractor.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Fund Accountability Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Fund Accountability Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Fund Accountability 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Fund Accountability Statement.

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

#### *Basis for Qualified Opinion*

VEGA had not closed its accounting records for the months of November 2012 and December 2012 at the time of our audit and all transactions incurred during these months were not available for audit. According to management and our review of the Financial Status Report submitted for December 31, 2012, total costs incurred from November 1, 2012 through December 31, 2012 were \$2,647,577. However, due to a lack of records available for audit, we were unable to determine whether any adjustments to these amounts were necessary.

We also identified several transactions totaling \$720,501 that were questionable based upon our review of the underlying support for the specified transactions. The ultimate determination of whether the identified questioned costs are to be accepted or disallowed rests with USDA.

#### *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the Fund Accountability Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by VEGA under the Agreement for the period November 24, 2010 through December 31, 2012 in accordance with the basis of accounting described in Note 2.

*Basis of Accounting*

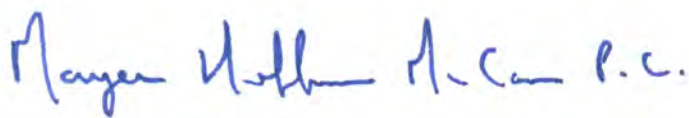
We draw attention to Note 2 of the Fund Accountability Statement, which describes the basis of accounting that is used in its preparation. As described in Note 2 to the Fund Accountability Statement, the Fund Accountability Statement is prepared in accordance with methods of preparation that are prescribed or permitted by USDA, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of USDA. 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 June 14, 2013 on our consideration of VEGA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 VEGA's internal control over financial reporting and compliance.

*Restriction on Use*

Our report is intended solely for the information and use of Volunteers for Economic Growth Alliance, United States Department of Agriculture, 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 restriction of 18 USC 1905 should be considered before any information is released to the public.

A handwritten signature in blue ink that reads "Mayer Hoffman A.C. P.C.".

Irvine, California  
June 14, 2013

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Notes to Fund Accountability Statement

For the Period November 24, 2010 to December 31, 2012

## **(1) Status and Operation**

The Volunteers for Economic Growth Alliance (VEGA), a non-profit corporation, was incorporated under the special laws of the District of Columbia in 2003. VEGA is organized for the not-for-profit purpose of soliciting certain grant funds from the U.S. Department of Agriculture (USDA) and facilitating access to those funds by its members in order to engage its members to provide services, including the provision of volunteers, being sought by USDA, and for the purpose of engaging in all activities and transactions that are necessary in furtherance of that purpose.

VEGA was awarded \$36 million under Cooperative Agreement No. 58-3148-1-042 (Agreement) with USDA's Foreign Agricultural Service in November 2010 to implement a program to help advance the revitalization of Afghanistan's agricultural sector. This program was to take a multifaceted approach to recommending modernizing ministry operations, enhancing the capability and effectiveness of the Ministry of Agriculture, Irrigation and Livestock (MAIL), and establishing a grants management unit to achieve the MAIL's goal of directly receiving and managing international donor funds. Ultimately, this program was to reach and assist farmers throughout Afghanistan. The period of performance of the Agreement runs through November 22, 2014.

The main subcontractor under this Agreement is International Executive Service Corps (IESC), who is also a member of VEGA, and serves as the lead implementer for the four-year Capacity Building and Change Management Program with MAIL. IESC heads a team comprised of the International City/County Management Association (ICMA), Land O'Lakes, Institute of International Education (IIE), and International Senior Lawyers Project (ISLP).

## **(2) Summary of Significant Accounting Policies**

### **(a) Basis of Accounting**

The Fund Accountability Statement has been prepared in accordance with methods of preparation that are prescribed or permitted by USDA. Under these methods of preparation, revenues are reported when received. This practice differs in some respects from generally accepted accounting principles which provide for revenues to be reported when earned. The costs in the schedule are reported when incurred.

### **(b) Foreign Currency Conversion Method**

VEGA converts its expenses that were paid in local currency (Afghanis) into reporting currency (U.S. Dollar) by applying an average monthly rate based upon the bank rates used to transfer funds between U.S. dollar account and Afghanis account.

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Notes to Fund Accountability Statement

(Continued)

## **(2) Summary of Significant Accounting Policies (Continued)**

### **(c) Questioned Costs**

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are deemed to not be allowable in accordance with the terms of the Agreement or applicable laws and regulations. Unsupported costs are those costs for which no or inadequate supporting documentation was provided for our review.

## **(3) Revenues**

As of December 31, 2012, VEGA has received \$20,403,876 in payments from USDA under the Agreement.

## **(4) Personnel**

VEGA reported personnel costs in the amount of \$3,984,462 for the period November 24, 2010 through December 31, 2012. One of the Program Managers recorded their time for 2012 based upon estimates instead of actual hours worked. Although the employee did actually work during 2012, actual hours worked were not available for audit. Total estimated salary for time charged during 2012 was \$10,607. Additionally, in 2010 and 2011, we noted that 1 timesheet was not signed by the employee and 29 timesheets were missing the supervisor's approval. In 2012, we noted that all timesheets were not signed or approved by a supervisor and the employee's signature was pre-scanned onto the timesheet. Total unsupported salary for time charged was \$63,774. Total questioned personnel costs were \$74,381. See Finding 2013-1 in the Findings and Responses section of this report. Also, see Notes 5 and 10 for details of the associated fringe and indirect costs, respectively.

## **(5) Fringe**

VEGA reported fringe costs in the amount of \$598,948 for the period November 24, 2010 through December 31, 2012, which represents approximately 15% of personnel costs. The fringe costs associated with the estimated time reported by the Program Manager in 2012 was \$5,797, and the unsupported time due to missing approvals or employee signatures on timesheets was \$20,957. Total unsupported fringe costs are \$26,754. See Note 4 for details related to the associated personnel costs and Note 10 for details related to the associated indirect costs. See Finding 2013-1 in the Findings and Responses section of this report.

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Notes to Fund Accountability Statement

(Continued)

### (6) Travel

VEGA reported travel costs in the amount of \$620,099 for the period November 24, 2010 through December 31, 2012. Unsupported travel costs consisted of the following. See Finding 2013-2 in the Findings and Responses section of this report.

<u>Condition</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Lack of management approval	5	\$33,010
Missing original vendor invoice	2	1,559
Invoice was less than amount charged	<u>3</u>	<u>216</u>
Total questioned costs related to travel	<u>10</u>	<u>\$34,785</u>

### (7) Supplies

VEGA reported supplies costs in the amount of \$577,346 for the period November 24, 2010 through December 31, 2012. Unsupported supplies costs consisted of the following. See Finding 2013-2 in the Findings and Responses section of this report.

<u>Condition</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Lack of management approval	2	\$ 167
Lacked management approval and invoice not translated to English	2	220
Lacked proper procurement process	<u>5</u>	<u>4,473</u>
Total questioned costs related to supplies	<u>9</u>	<u>\$4,860</u>

### (8) Subcontracts

VEGA reported subcontract costs in the amount of \$4,170,822 for the period November 24, 2010 through December 31, 2012. Unsupported subcontract costs consisted of the following. See Finding 2013-2 in the Findings and Responses section of this report.

<u>Condition</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Lacked management approval	4	\$12,750
Invoice was mathematically incorrect	1	21,218
Not competitively procured	<u>5</u>	<u>26,368</u>
Total questioned costs related to subcontracts	<u>10</u>	<u>\$60,336</u>

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

### Notes to Fund Accountability Statement

(Continued)

#### (9) Other Direct Costs

VEGA reported other direct costs in the amount of \$2,782,836 for the period November 24, 2010 through December 31, 2012. Unsupported other direct costs consisted of the following. See Finding 2013-2 in the Findings and Responses section of this report.

<u>Condition</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Lack of management approval	48	\$155,652
Lack of management approval and incorrect amount charged	1	2,613
Lack of management and USDA approval	1	1,660
Lack of management approval and inadequate translations	9	4,761
Lack of management approval, USDA approval and incorrect amount charged	1	168
Lack of USDA approval	1	2,304
Lack of USDA approval and incorrect currency conversion	1	1,655
Invoice was less than amount charged	1	260
Lack proper procurement process	7	110,205
Lack proper procurement process and management approval	3	16,614
Invoice was mathematically incorrect and missing currency conversion rates	3	900
Inadequate translations	17	8,979
Missing vendor invoice	6	28,386
Missing original invoice	2	3,903
Cost not compliant with the agreement	<u>1</u>	<u>700</u>
Total questioned costs related to other direct costs	<u>102</u>	<u>\$338,760</u>

#### (10) Indirect Costs

VEGA reported indirect costs in the amount of \$4,090,794 for the period November 24, 2010 through December 31, 2012. The negotiated indirect cost rate for VEGA was 15.35%. However, VEGA agreed to limit the rate to 5.85% from November 24, 2010 through December 31, 2010, and 5.83% from January 1, 2011 through December 31, 2012. During our review of the indirect cost calculation for the year ended December 31, 2011, we noted that VEGA added back a refund received in the amount of \$46,400 for payment of a ballpark fee in 2009 and 2010. The fee was assessed on VEGA's gross receipts generated within the District of Columbia. The proceeds of the fee were to be used for the construction of a major league baseball stadium in Washington, D.C. The indirect costs rates for 2011 and prior are finalized rates. As such, the ballpark fee refund should be included in the calendar year 2012 indirect cost pool as a reduction of the total indirect costs. See Finding 2013-7 in the Findings and Responses section of this report.

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Notes to Fund Accountability Statement

(Continued)

### (10) Indirect Costs (Continued)

The indirect costs also include the indirect cost charged by the prime subcontractor for the program, IESC. IESC charged an average indirect cost rate of 34.00% for the period November 24, 2010 through December 31, 2010, 35.05% for the period January 1, 2011 through December 31, 2011, and 36.02% for the period January 1, 2012 through December 31, 2012. These rates are less than their negotiated rates of 89.09%, 40.86% and 31.77% (provisional) for the same periods. Since IESC charged rates less than the maximum allowable, we used the rates actually charged in determining the questioned indirect costs associated with the questioned costs in other cost categories.

Since costs were questioned in other cost categories, an adjustment for associated indirect costs is required. We used the final indirect cost rate for VEGA for 2010 and 2011, and the provisional rate for 2012, in calculating the allowable indirect costs. We used the indirect cost rate claimed by IESC for the entire audit period, which was less than the negotiated indirect cost rate, in calculating the allowable indirect costs. The appropriate rate for each year was applied to the individual costs questioned. A summary of associated questioned indirect costs by cost category is as follows:

<u>Cost Category</u>	<u>Questioned Cost</u>	<u>Associated Questioned Indirect Cost</u>
Personnel	\$ 74,381	\$ 4,337
Fringe	26,754	1,560
Travel	34,785	14,506
Supplies	4,860	2,004
Subcontractors	60,336	25,034
Other direct costs	338,760	<u>133,184</u>
Total questioned indirect costs		<u>\$180,625</u>

### (11) Reconciliations

As of October 31, 2012, which is the last month that VEGA had closed its books, a reconciliation of outstanding fund balance was as follows:

Available funds per bank	\$423,867
Available funds per books	<u>415,550</u>
Excess funds	<u>\$ 8,317</u>

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Notes to Fund Accountability Statement

(Continued)

**(11) Reconciliations (Continued)**

The excess funds are due to a timing difference as VEGA maintains its books on the accrual basis of accounting. This excess balance increased to \$517,672 as of December 31, 2012, using the unaudited expenses for the months of November and December 2012.

**(12) Unaudited Costs for November and December 2012**

VEGA's accounting records for the period November 1, 2012 through December 31, 2012 were not closed at the time of the audit and all transactions incurred during this time were not available for our review. According to management and review of the Financial Status Report submitted for December 31, 2012, total costs incurred from November 1, 2012 through December 31, 2012 were \$2,647,577.

**(13) Subsequent Event**

On February 5, 2013, VEGA returned \$17,360 to USDA for overbillings of personnel, fringe and indirect costs associated with the Program Manager estimating her time spent on the program instead of charging actual hours worked. The returned funds were as follows:

<u>Cost Category</u>	<u>Funds Returned to USDA</u>
Personnel	\$10,607
Fringe	5,797
Indirect (5.83%)	<u>956</u>
Total funds returned to USDA	<u>\$17,360</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF THE FUND ACCOUNTABILITY STATEMENT  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditor's Report**

Board of Directors  
Volunteers for Economic Growth Alliance  
1726 M Street, NW, Suite 800  
Washington, DC 20036

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Fund Accountability Statement of the Volunteers for Economic Growth Alliance (VEGA) representing revenues received and costs incurred under Cooperative Agreement No. 58-3148-1-042 with the U.S. Department of Agriculture for the period November 24, 2010 through December 31, 2012, and the related Notes to the Fund Accountability Statement, and have issued our report thereon dated June 14, 2013, except as it relates to continuing education and peer review requirements as discussed in the following paragraph.

*Government Auditing Standards* require, among other things, that auditors performing audits in accordance with *Government Auditing Standards* obtain 24 hours of continuing professional education every 2 years, and the audit organization have an external peer review performed by reviewers independent of the organization at least once every three years. We subcontracted a portion of the audit to an independent chartered public accounting firm with an office located in Kabul, Afghanistan. The work performed by our subcontractor consisted of conducting interviews of local staff hired by VEGA and observing the existence of inventory. Our subcontractor was not involved in the planning, directing or reporting aspects of the audit. Our subcontractor did not meet the continuing professional education requirements or peer review requirements as outlined in *Government Auditing Standards*, as the firm is located and licensed outside of the United States of America. The results of the audit were not affected as we directed the procedures performed and reviewed the work completed by our subcontractor.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the Fund Accountability Statement, we considered VEGA's internal control over financial reporting (internal control) to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the Fund Accountability Statement, but not for the purpose of expressing an opinion on the effectiveness of VEGA's internal control. Accordingly, we do not express an opinion on the effectiveness of VEGA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Findings and Responses as items 2013-1, 2013-2, 2013-3, 2013-4, and 2013-5 that we consider to be significant deficiencies.

## **VEGA's Response to Findings**

VEGA's response to the findings identified in our audit is described in the accompanying Findings and Responses, and included verbatim in Appendix A. VEGA's response was not subjected to the auditing procedures applied in the audit of the Fund Accountability 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 the VEGA's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose. This report is intended for the information of Volunteers for Economic Growth Alliance, United States Department of Agriculture, and the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.

Board of Directors  
Volunteers for Economic Growth Alliance  
1726 M Street, NW, Suite 800  
Washington, DC 20036

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Mayer H. H. M. C. P. C.

Irvine, California  
June 14, 2013



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**REPORT ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FUND ACCOUNTABILITY STATEMENT  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditor's Report**

Board of Directors  
Volunteers for Economic Growth Alliance  
1726 M Street, NW, Suite 800  
Washington, DC 20036

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Fund Accountability Statement of the Volunteers for Economic Growth Alliance (VEGA) representing revenues received and costs incurred under Cooperative Agreement No. 58-3148-1-042 with the U.S. Department of Agriculture for the period November 24, 2010 through December 31, 2012, and the related Notes to the Fund Accountability Statement, and have issued our report thereon dated June 14, 2013, except as it relates to continuing education and peer review requirements as discussed in the following paragraph.

*Government Auditing Standards* require, among other things, that auditors performing audits in accordance with *Government Auditing Standards* obtain 24 hours of continuing professional education every 2 years, and the audit organization have an external peer review performed by reviewers independent of the organization at least once every three years. We subcontracted a portion of the audit to an independent chartered public accounting firm with an office located in Kabul, Afghanistan. The work performed by our subcontractor consisted of conducting interviews of local staff hired by VEGA and observing the existence of inventory. Our subcontractor was not involved in the planning, directing or reporting aspects of the audit. Our subcontractor did not meet the continuing professional education requirements or peer review requirements as outlined in *Government Auditing Standards*, as the firm is located and licensed outside of the United States of America. The results of the audit were not affected as we directed the procedures performed and reviewed the work completed by our subcontractor.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether VEGA's Fund Accountability Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned cooperative agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Findings and Responses as items 2013-6 and 2013-7.

## **VEGA's Response to Findings**

VEGA's response to the finding identified in our audit is described in the accompanying Findings and Responses, and included verbatim in Appendix A. VEGA's response was not subjected to the auditing procedures applied in the audit of the Fund Accountability Statement and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the result 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 internal control. Accordingly, this communication is not suitable for any other purpose. This report is intended for the information of Volunteers for Economic Growth Alliance, United States Department of Agriculture, and the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.



Irvine, California  
June 14, 2013

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

### Findings and Responses

For the Period November 24, 2010 to December 31, 2012

#### **2013-1: Estimates of Hours Worked and Timekeeping Weaknesses**

##### **Condition:**

During our review of the personnel and fringe cost categories, we noted the following unsupported items.

- VEGA had identified that one of the Volunteers for Economic Growth's (VEGA's) Program Managers recorded their time for 2012 based upon estimates instead of actual hours worked. Although the employee did actually work during 2012, actual hours worked were not available for audit. Total estimated time charged during 2012 was \$17,360, which consisted of salary in the amount of \$10,607, fringe benefits in the amount of \$5,797 and associated indirect costs in the amount of \$956. Once identified, VEGA refunded this amount to the Agreement on February 6, 2013.
- During our testing of payroll, we noted the following:
  - In 2010 and 2011, we noted that 1 timesheet was not signed by the employee and 29 timesheets were missing the supervisor's approval.
  - In 2012, we noted that all timesheets were not signed or approved by a supervisor and the employee's signature was pre-scanned onto the timesheet.

Total payroll-related costs questioned due to missing approvals and/or signatures during 2010 through 2012 was \$89,672, which consisted of salary, fringe benefits and associated indirect cost.

Total questioned personnel costs, including associated fringe benefits and indirect costs, were \$107,032 (\$17,360 plus \$89,672). These questioned costs, by cost category, by year, are as follows:

<u>Year</u>	<u>Salary</u>	<u>Fringe Benefits</u>	<u>Indirect Costs</u>	<u>Total</u>
2010	\$ 6,545	\$ 1,940	\$ 496	\$ 8,981
2011	3,472	1,370	282	5,124
2012	<u>64,364</u>	<u>23,444</u>	<u>5,119</u>	<u>92,927</u>
Total	<u>\$74,381</u>	<u>\$26,754</u>	<u>\$5,897</u>	<u>\$107,032</u>

##### **Cause:**

For 2012, the Program Manager consistently charged about 40% of her time to the Agreement in order to utilize the budget. In addition, the employees mistakenly thought that timesheet review and approval are only required by the finance department instead of their immediate supervisor.

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-1: Estimates of Hours Worked and Timekeeping Weaknesses (Continued)**

#### **Criteria:**

OMB Circular A-122, Attachment B, Paragraph 8, *Compensation for personal service*, states, in part:

“...m. Support of salaries and wages.

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization...

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members...

(a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards...”

Additionally, VEGA's Employees' Policy and Procedure Manual, Human Resources Policies, Part D. Labor Distribution Reporting, states, in part:

“...All Staff are required to fill out bi-weekly time sheets which are formal attendance and payroll record. At the close of a semi-monthly pay period, each employee must sign a hard copy of his/her time report attesting to its accuracy. S/he should submit the report to the CFO for the processing of the payroll. Each hard copy of a time report must be signed by the Executive Director....”

#### **Effect:**

Requesting reimbursement for labor costs based upon budget estimates is not in accordance with OMB A-122, and lack of approvals and signatures on timesheets can result in inaccurate or misused payroll costs. Total questioned payroll, fringe and related indirect costs is \$107,032, of which \$17,360 was already refunded to USDA subsequent to the audit period.

#### **Recommendation:**

- (1) We recommend that VEGA either return \$89,672 to USDA (\$107,032 total questioned costs less \$17,360 returned to USDA subsequent to the audit period) for the questionable payroll costs or provide USDA with adequate supporting documentation.
- (2) We recommend that VEGA reinforce its timekeeping policies to ensure that all time charged to the Agreement is based upon actual hours worked.

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-1: Estimates of Hours Worked and Timekeeping Weaknesses (Continued)**

#### **Management Response:**

VEGA does not concur with this recommendation. VEGA believes that the audit report is in error when it states that "The Program Manager consistently charged about 40% of her time to the Agreement in order to utilize the budget. In addition, the employees state that they were not aware of the timesheet signing and approvals requirements." Only for calendar year 2012 did the Program Manager, as instructed by the former VEGA CFO, bill her time based on a budgeted percentage rather than her actual time allocation.

All employees were aware of the timesheet signing requirements per VEGA employee Policy Manual, but were mistaken in thinking that the Finance Department was obtaining the necessary approvals. However, the Director for Finance and Administration who was appointed in January 2013 has implemented a more rigorous system that requires the employee to submit their timesheet directly to the supervisor for approval and subsequent submission to finance for review, approval and processing.

Furthermore, VEGA stated that the condition of the finding which indicates that actual hours worked were not available for audit, was incorrect since VEGA provided an analysis to USDA on February 6, 2013 with a detailed accounting of the Program Manager's actual work hours (as reconstituted by the employee).

#### **Rebuttal to Management Response:**

We acknowledge the clarification provided by VEGA and have revised the cause in the finding to reflect this clarification that the timekeeping practice of the Project Manager related to 2012 only, and that VEGA had identified that the Program Manager charged time based on budget. We reviewed the detailed analysis that was provided to USDA regarding the reconstruction of actual time worked and noted that it consists of an email estimating the time that was actually worked on the program. Without original evidence, we are unable to determine whether the testimonial evidence is accurate. Our recommendation remains unchanged.

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

### Findings and Responses

(Continued)

#### **2013-2: Lack of Adherence to Procurement Procedures**

##### **Condition:**

During our testing of travel, supplies, equipment, subcontracts and other direct costs, various exceptions were noted regarding a lack of adherence to procurement procedures as follows. We tested 41 transactions totaling \$935,425 incurred by VEGA, and 474 transactions totaling \$6,407,877 incurred by IESC and noted the following.

Questioned costs related to travel:

<u>Condition</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Lack of management approval	5	\$33,010
Invoice was mathematically incorrect	2	1,559
Invoice was less than the amount charged	3	216
Total questioned costs related to travel	10	\$34,785

Questioned costs related to supplies:

<u>Condition</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Lack of management approval	2	\$ 167
Lacked management approval and inadequate translation	2	220
Not competitively procured	5	4,473
Total questioned costs related to supplies	9	\$4,860

Questioned costs related to subcontracts:

<u>Condition</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Lacked management approval	4	\$12,750
Invoice was mathematically incorrect	1	21,218
Not competitively procured	5	26,368
Total questioned costs related to subcontracts	10	\$60,336

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

### Findings and Responses

(Continued)

#### **2013-2: Lack of Adherence to Procurement Procedures (Continued)**

Questioned costs related to other direct costs:

<u>Condition</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Lack of management approval	48	\$155,652
Lack of management approval and incorrect amount charged	1	2,613
Lack of management and USDA approval	1	1,660
Lack of management approval and inadequate translations	9	4,761
Lack of management approval, USDA approval and incorrect amount charged	1	168
Lack of USDA approval	1	2,304
Lack of USDA approval and incorrect currency conversion	1	1,655
Invoice was less than amount charged	1	260
Lack proper procurement process	7	110,205
Lack proper procurement process and management approval	3	16,614
Invoice was mathematically incorrect and missing currency conversion rates	3	900
Inadequate translations	17	8,979
Missing vendor invoice	6	28,386
Missing original invoice	2	3,903
Cost not compliant with the agreement t	<u>1</u>	<u>700</u>
Total questioned costs related to other direct costs	<u>102</u>	<u>\$338,760</u>

#### **Cause:**

This condition occurred due to a lack of adequate management oversight.

#### **Criteria:**

OMB Circular A-122, Attachment A, Paragraph A, *Basic Considerations*, states, in part:

“2. Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:

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

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

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

### Findings and Responses

(Continued)

#### **2013-2: Lack of Adherence to Procurement Procedures (Continued)**

“c. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.

d. Be accorded consistent treatment.

e. Be determined in accordance with generally accepted accounting principles (GAAP).

f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.

g. Be adequately documented....”

Additionally, Cooperative Agreement No. 58-3148-1-042, Attachment A, Section EE, *Procurement of Goods and Services*, states in part:

“VEGA may use its own procurement policies and practices for the procurement of goods and services under this agreement, provided they conform to the applicable Federal requirements and regulations...”

#### **Effect:**

Lack of adherence to procurement procedures can result in unallowable costs charged to the Agreement. Total questioned costs, including associated indirect costs, are as follows:

<u>Cost Category</u>	<u>Questioned Cost</u>	<u>Associated Questioned Indirect Cost</u>	<u>Total Questioned Costs</u>
Travel	\$ 34,785	\$ 14,506	\$ 49,291
Supplies	4,860	2,004	6,864
Subcontracts	60,336	25,034	85,370
Other direct costs	<u>338,760</u>	<u>133,184</u>	<u>471,944</u>
Total questioned costs	<u>\$438,741</u>	<u>\$174,728</u>	<u>\$613,469</u>

#### **Recommendation:**

- (1) We recommend that VEGA either return \$613,469 to USDA for expenses which were inadequately supported, lacked management approval, or did not follow procurement procedures, or provide adequate supporting documentation to USDA.

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-2: Lack of Adherence to Procurement Procedures (Continued)**

- (2) We recommend that VEGA review its accounting and procurement system to ensure all accounting and procurement procedures are followed per the terms of the Agreement and related Federal regulations.

#### **Management Response:**

VEGA and IESC respectfully disagree with this recommendation. None of the questioned costs were deemed unallowable. With the exception of two VEGA questioned costs totaling \$680.51 (for incorrect foreign exchange calculation and a missing invoice), the audit team was provided supporting documentation and/or strong and justifiable circumstantial evidence to substantiate the reasonableness of these expenses.

In the case of VEGA, all internal control weaknesses identified have been corrected and new process implemented, including staff training, to ensure that program documentation is complete in the future. VEGA has put into place a dual-checks and balance process to ensure that time sheets, invoices, travel expenses, and other documents are processed with proper approvals and signature. All invoices and other expense reports now need to be reviewed, approved, and signed by the supervisor of the employee originating the expense. While previously these documents could be submitted directly by employees to the accounting team for processing without dual-signatures and approvals, the reorganization of VEGA's team and delineation of the payment process ensure that dual-signatures will be made on all documents. Where senior management approvals were missing for questioned costs in the audit report, a careful review of all questioned costs was conducted and retroactive approvals were made.

Throughout the course of the program, IESC followed its procurement procedures and has procured goods and services that were necessary to fulfill the requirements of the approved work plan. IESC did obtain quotes from businesses to provide the goods or services needed. IESC does acknowledge that on some occasions, its senior manager in the field did not place their signature on the Expense Form that IESC uses to summarize a transaction, even though policies were followed in the procurement of the item.

The following represents a high level summary of the documentation previously provided. Refer to Appendix A for a more detailed verbatim response from management.

1. The expense form included the Chief of Party (COP) approval for the purchase of armed vehicles;
2. The IESC travel policy does not require back up for individual travel expenses of \$75;

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-2: Lack of Adherence to Procurement Procedures (Continued)**

3. During the commencement of the start-up phase of the program when timing is essential, a staff member purchased a computer which was approved by her supervisors and the purchase was reasonable in price;
4. Procurement was completed by field staff by obtaining 3 bids and selecting the lowest bid, which was approved by the COP;
5. Marsh is IESC's insurance broker and every year Marsh obtains competitive quotes from the market based on IESC's insurance requirement;
6. IESC was with International SOS, but switched to Frontier Medex in 2009 as international SOS was determined to be significantly more expensive than industry standards;
7. The lease of armored vehicles was obtained through a competitive bidding process and approved by the United States Department of Agriculture (USDA) and the IESC COP;
8. According to the lease agreement on the property, IESC withholds 15% of the annual portion and pays that to the Ministry of Taxation; and
9. The name of the store was written in English on the top of the invoice, which included the word "paint" and the Vice President of Global Operations in the District of Columbia and the COP approved the purchase and expense forms, respectively.

All of the transactions are for expenses that were necessary to complete the approved work plan and were allowable and allocable to the CBCMP program, and included in the CBCMP budget; and therefore should be reimbursed. We believe that the recommendation that \$612,122 be returned to USDA is both unfair and unreasonable.

### **Rebuttal to Management Response:**

The unsupported costs were questioned due to the fact that the documentation provided for our review did not sufficiently support the costs incurred. As such, we have questioned these costs. It will be left to the ultimate decision of USDA as to whether the costs should be disallowed. All expenses charged to the Agreement should be adequately supported by an invoice, along with the necessary approvals at the time of making the payment and recording the transaction in the books. Substantiating expenses with circumstantial evidence or retroactive approvals evidences weak internal controls and is not in accordance with OMB Circular A-122. The following are our rebuttals to each of the points raised related to IESC's costs.

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-2: Lack of Adherence to Procurement Procedures (Continued)**

1. The expense form provided for our review did not contain the COP approval for the purchase of armed vehicles;
2. According to OMB Circular A-122 requirements as described in the criteria, the costs must be supported and the IESC travel policy of not requiring support for costs below \$75 is in conflict;
3. 3 quotes were not obtained for the purchase of the computer;
4. Support for the 2 quotes which were not selected were not provided for our review;
5. Marsh does obtain competitive quotes from the market based on IESC's insurance requirement, but Marsh itself was not chosen through a competitive bidding process;
6. No competitive bidding support was provided for the selection of Frontier Medex in 2009;
7. As required by the CBCMP Field Finance and Procurement Procedures, the Afghanistan 101 Expense Form did not have a requester's signature;
8. The amount recorded in the books did not agree to the payment schedule of the lease agreement; and
9. Although the store name contained the word "paint" on the invoice, the details of the invoice did not have a clear audit trail to determine if the claimed amount was sufficiently supported by incurred cost.

Our recommendation remains unchanged.

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

## **2013-3: Lack of Segregation of Duties**

### **Condition:**

The Accountant prepares the monthly bank reconciliation for VEGA, receives the bank statements directly and also has access to cash receipts and cash disbursements. These are incompatible functions that are typically segregated to avoid misappropriation of funds and there is no evidence of a supervisory review of the bank reconciliation.

### **Cause:**

The accounting staff is small and all individuals have numerous responsibilities.

### **Criteria:**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, Chapter 4, *Control Activities*, states, in part:

“...Segregation of Duties – Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions...”

### **Effect:**

Lack of a supervisory review of bank reconciliations that are prepared by an individual with incompatible functions can result in an undetected loss or misuse of funds.

### **Recommendation:**

- (1) We recommend that VEGA implement procedures to ensure that individuals responsible for accounting for funds not have direct access to or control over those same funds.
- (2) We recommend that VEGA have the bank statements delivered directly to a supervisor for review prior to being given to the Accountant for preparation of the bank reconciliation, and have a supervisor review and approve the bank reconciliation after it has been prepared.

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-3: Lack of Segregation of Duties (Continued)**

#### **Management Response:**

Based on a thorough review of VEGA's accounting processes by the new Managing Director for Finance and Administration and the new Senior Accountant, a revised bank reconciliation process has been established which clearly incorporates a separation of duties and proper internal controls. Under this new process, the staff accountant no longer has access to the bank account. The bank statement is printed by the Senior Accountant and the bank reconciliation cover sheet clearly delineates the signature of the preparer, the approver, and finally the sign-off by the Managing Director for Finance and Administration. This process is documented and is part of VEGA's Policy and Procedures Manual.

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-4: Need to Periodically Reconcile Capital Assets to the General Ledger**

**Condition:**

We noted that inventory of capital assets in Afghanistan was not reconciled to the general ledger. VEGA performed a reconciliation for the purpose of this audit and noted that \$11,778 of capital assets had not been properly recorded into the general ledger.

**Cause:**

VEGA was unaware that a reconciliation should be performed periodically.

**Criteria:**

Cooperative Agreement No. 58-3148-1-042, Attachment A, Section II, *Title to and Care of Property*, states in part:

“...2. VEGA shall prepare and establish a program, for the receipt, use, maintenance, protection, custody, and care of equipment, materials and supplies for which it has custodial responsibility including establishment of reasonable controls to enforce such a program....”

Additionally, OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C, Paragraph \_\_.21, *Standards for financial management system*, states in part:

“(b) Recipients' financial management systems shall provide for the following...

(3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes...”

Furthermore, The Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control – Integrated Framework*, Chapter 4, *Control Activities*, states, in part:

“ *Physical Controls* – Equipment, inventories, securities, cash and other assets are secured physically, and periodically counted and compared with amounts shown on control records.”

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-4: Need to Periodically Reconcile Capital Assets to the General Ledger (Continued)**

#### **Effect:**

Lack of a timely reconciliation of capital assets to the general ledger can result in the loss or unauthorized disposition of assets without management's knowledge.

#### **Recommendation:**

We recommend that VEGA implement procedures to reconcile the inventory of capital assets to the financial records on a periodic basis.

#### **Management Response:**

IESC, as the lead implementing firm, purchased more than \$1.2M in capital assets and personal property during the program life. It should be noted that physical inspection of the inventory records did not yield any findings. The field staff has placed program inventory tags on all personal property that should be tagged and has kept a record of all the pertinent required information. The approved work plan involves upgrading the MAIL and DAIL offices with computers and other office hardware to enable the locations to effectively work and communicate. The field staff had coded certain items in the computer supplies category, such as toner, to an account code that was not meant to contain consumable office supplies but rather computer personal property. The items, such as toner, did not have an inventory tag and therefore were a reconciling difference between the two schedules. IESC has put in place a more frequent reconciliation to its process to ensure this issue does not occur in the future. Inventory reconciliations will be done every June and December.

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-5: Need to Consistently Review the Excluded Parties List**

#### **Condition:**

Out of the 8 subcontractors tested for excluded parties, VEGA did not perform an excluded parties check for 3 of the subcontractors. We reviewed the excluded parties list for these 3 subcontractors and determined that they were not on the list.

#### **Cause:**

This condition occurred due to an oversight of management.

#### **Criteria:**

Code of Federal Regulations 2 CFR 215.13, *Debarment and suspension*, states:

“Federal awarding agencies and recipients shall comply with Federal agency regulations implementing E.O.s 12549 and 12689, “Debarment and Suspension.” Under those regulations, certain parties who are debarred, suspended or otherwise excluded may not be participants or principals in Federal assistance awards and subawards, and in certain contracts under those awards and subawards.”

Additionally, Cooperative Agreement No. 58-3148-1-042, Attachment A, Section Z, *VEGA Responsibility for Making and Monitoring Subawards*, states in part:

“1. VEGA shall make subawards only to responsible subrecipients who possess the potential ability to perform successfully under the terms of proposed agreement.... Awards shall not be made to firms or individuals whose name appears on the “List of Parties Excluded from Federal Procurement and Nonprocurement Programs”. Available online at [www.EPLS.gov](http://www.EPLS.gov).”

#### **Effect:**

By not checking the List of Parties Excluded from Federal Procurement and Nonprocurement Programs, Federal funds might be paid to a vendor that is debarred, suspended, or otherwise prohibited from receiving Federal funds.

#### **Recommendation:**

VEGA should review all vendors to ensure they do not appear on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-5: Need to Consistently Review the Excluded Parties List (Continued)**

#### **Management Response:**

IESC has a Contractor Management System that it utilizes to process and complete the contractor transactions. A component of this system verifies the eligibility of the contractor to work on US Government awards. In the system, there is a field that is populated when the search on eligibility is completed. The current Vice President of Finance, Jason Jaecksch, is responsible for this search. In the case of the CBCMP program, he confirms that the search was completed as required by the system, however the field was not populated to document the search. As noted by the auditors, none of the firms were identified as ineligible. One component of this facilitation is to verify with SAM (System for Award Management) that during the selection process all contractors are eligible to work on US Government awards. IESC has since hired a Director of Contracts and Compliance to facilitate the subcontractor process and documentation and to ensure that the process is completed in compliance with our systems and policies.

# **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

## **2013-6: Need to Document Subrecipient Monitoring**

### **Condition:**

Program and financial personnel from VEGA and IESC made numerous trips to Afghanistan during the period audited. Explanations for these trips were that they were undertaken to monitor the subrecipients. However, these trips were not supported by monitoring or status reports that described the purpose of the trip and the benefit to the Agreement.

### **Cause:**

Management indicated that since there were periodic discussions with USDA regarding the progress of the program, status and/or monitoring reports were not deemed necessary.

### **Criteria:**

Cooperative Agreement No. 58-3148-1-042, Attachment A, Section Z, *VEGA Responsibility for Making and Monitoring Subawards*, states in part:

“...3. VEGA shall monitor its subawards and contracts in compliance with the requirements for subrecipient monitoring as contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), OMB Circular A-133 as codified at 7 CFR Part 3052, and OMB Circular A-110 as codified at 7 CFR Part 3019.”

Additionally, OMB Circular A-133, Part 3, *Compliance Requirements*, Section M, *Subrecipient Monitoring*, states, in part:

“...A pass-through entity is responsible for...

During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved...”

### **Effect:**

Failure to prepare a report of its monitoring of subrecipients could result in lack of adequate monitoring, untimely reporting of problems for correction, and/or trips charged to the Cooperative Agreement that are unrelated to the program.

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-6: Need to Document Subrecipient Monitoring (Continued)**

#### **Recommendation:**

We recommend that VEGA document its monitoring efforts of its subrecipients by preparing and maintaining site visit reports as evidence that it met its monitoring requirements.

#### **Management Response:**

USDA has offered to provide a retroactive approval for the VEGA CFO's March 2011 and May 2012 trips to Afghanistan, having recalled that these trips had been coordinated and approved verbally. The purpose of the March 2011 trip can also be found in the budget notes of the CBCMP budget which mandated the CFO's regular oversight visits and which had been previously approved by USDA. VEGA has revised its travel policy to include the requirement for trip reports and it has been incorporated it into VEGA's Employee Policy and Procedures Manual.

IESC Headquarter staff traveled to Afghanistan on targeted, well-announced and approved trips for program activities. IESC documentation supports that USDA was made aware of the trips prior to the trips being taken. Trip reports have not been required under IESC's travel policies, however we have required their submission on programs in the past. IESC is in the process of updating its travel policies and will include the requirement in the policies that trip reports be submitted by all staff members moving forward to document the purpose, activities, and outcomes of the trip.

## VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-7: Ballpark Fee Refund Should be Addressed in the Final Indirect Cost Rate Calculation**

#### **Condition:**

Our review of the calendar year (CY) 2011 indirect cost pool disclosed that a ballpark fee related refund of \$46,400, which was originally paid in CYs 2009 and 2010, was received and deposited in CY 2011. This action correctly reduced the CY 2011 indirect cost pool by \$46,400 to compensate for overpayment of the same amount in CYs 2009 and 2010. . However, VEGA, when calculating its CY 2011 indirect rate, had added back \$46,400 to the CY 2011 indirect cost pool and as a result, overstated its CY 2011 indirect rate.

#### **Cause:**

The ballpark fee was a new fee that VEGA paid in 2009 and 2010 and protested its payment. VEGA recorded the refund as a reduction of expenses in 2011, then erroneously added the refund back as part of its 2011 indirect cost rate calculation.

#### **Criteria:**

The District of Columbia Official Code, Sec. 2, Section 47-2761(6) states, in part:

“...(B)(i) A feepayer shall not include an entity or a successor entity which paid a ballpark fee for the fiscal years beginning October 1, 2004 through and including October 1, 2009, if such entity paid substantially all of its gross receipts to organizations which are tax-exempt pursuant to section 501(c)(3) of the Internal Revenue Code of 1986...”

Additionally, 48 CFR Section 31.205-41, *Taxes*, states, in part:

“...(b) The following types of costs are not allowable:...

(3) Taxes from which exemptions are available to the contractor directly...”

## **VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

Findings and Responses

(Continued)

### **2013-7: Ballpark Fee Refund Should be Addressed in the Final Indirect Cost Rate Calculation (Continued)**

#### **Effect:**

The indirect cost rate for CYs 2009, 2010 and 2011 was overstated. Vega initially correctly reduced CY 2011 indirect cost pool to compensate for payment of ineligible ballpark fee payments in CYs 2009 and 2010. However, when finalizing its CY 2011 indirect rate VEGA incorrectly added back \$46,400 to its indirect cost pool thereby overstating its CY 2011 indirect rate.. This resulted in the overstatement of indirect costs for CYs 2009, 2010 and 2011.

#### **Recommendation:**

- (1) We recommend that VEGA contact USAID to discuss refund of the ballpark fee issue and ask USAID to reduce the CY 2012 indirect cost pool by \$46,400 when finalizing the CY 2012 final indirect rate.
- (2) We recommend that VEGA inform USDA of the results of any changes in the indirect cost rate as approved by USAID so that USDA can determine if there is any additional impact to this Agreement.

#### **Management Response:**

Prior to being awarded this Cooperative Agreement by USDA, VEGA was required to pay a Ball Park Tax in fiscal year 2009 and 2010, while its appeal for exemption was under review by the DC tax authority. VEGA won its appeal and was issued tax refund in 2011 for the cumulative payments it made in 2009 and 2010.

Regardless, the impact of these payments and cumulative credit was specifically excluded from VEGA's indirect cost pool in 2009, 2010, and 2011. The details of the NICRA calculation for these three years has been reviewed and approved by USAID. VEGA stands by its rebuttal that there is no discrepancy to be remedied related to its treatment of the Ball Park Tax.

#### **Rebuttal to Management Response:**

Our review of the calculation of VEGA's indirect cost pool determined that the Ballpark fee is being added to the general and administrative (G&A) indirect cost pool, which is incorrect. In addition, the indirect cost calculations for 2009 and 2010 indicated that the Ballpark fee was included in the indirect cost pool. Our recommendation remains unchanged.

**VOLUNTEERS FOR ECONOMIC GROWTH ALLIANCE**

Financial Audit of Costs Incurred under  
Cooperative Agreement No. 58-3148-1-042

VEGA Response to Findings

For the Period November 24, 2010 to December 31, 2012

Included on the following pages is VEGA's response received to the findings identified in this report. In addition to the narrative response, VEGA provided documentation that, in its opinion, supports its position on various findings. Due to the voluminous and proprietary nature of this documentation, it has not been included within this report. The documentation has been provided to SIGAR under separate cover.

ACDI/VOCA

Aid to Artisans (ATA)

CDC Development  
Solutions (CDS)

CNFA

CRDF Global

Cuso International

Florida Association for  
Volunteer Action in the  
Caribbean and the  
Americas, Inc. (FAVACA)Financial Services Volunteer  
Corps (FSVC)Global Business School  
Network (GBSN)Institute of International  
Education (IIE)International Executive  
Service Corps (IESC)International City/County  
Management Association  
(ICMA)International Real Property  
Foundation (IRPF)International Senior  
Lawyers Project (ISLP)Land O'Lakes International  
DevelopmentMennonite Economic  
Development Associates  
(MEDA)

NCBA/CLUSA International

Opportunities  
Industrialization  
Centers International (OICI)

Partners of the Americas

SAVE Travel Alliance

Sustainable Tourism  
International (STI)

Winrock International

**Chairman of the Board**Tom Campbell  
Senior Advisor, CNFA**Executive Director & CEO**

Michael Deal

## VEGA Management Response



June 14, 2013

Mayer Hoffman McCann P.C.  
2301 Dupont Drive, Suite 200  
Irvine, California 92612RE: Special Inspector General for Afghanistan  
Reconstruction Financial Audit of Costs Incurred by  
Volunteers for Economic Growth Alliance under  
Cooperative Agreement No. 58-3148-1-042  
For the Period November 24, 2010 to December 31, 2012

Dear Sirs:

The Volunteers for Economic Growth Alliance (VEGA) and its Lead Implementing Partner, the International Executive Service Corps (IESC) appreciate this opportunity to respond to the draft Financial Audit of Costs of the Afghanistan Capacity Building and Change Management Program (CBCMP) Cooperative Agreement prepared by CBIZ MHM, LLC & Mayer Hoffman McCann P.C.

**Summary**

VEGA and IESC are quite pleased to note that our efforts under the CBCMP program have helped Afghanistan's Ministry of Agriculture, Irrigation, and Land (MAIL) achieve essential results such as being able to better plan, budget, procure, pay, monitor and evaluate. This has resulted in a risk-management capability that meets international standards and has led to significantly higher budget execution rates. The CBCMP's impact to date has given donors and the Government of Afghanistan (GIROA) a greater confidence in MAIL's ability to articulate farmer needs, manage resources, and monitor/evaluate impact.

We are very pleased to learn that USDA has given its approval for a six-month no-cost extension of the program until June 2014, which will allow its management system improvements to be fully institutionalized and extended to the District Offices (DAILs). The extension will also serve to institutionalize the four pillars of change management (Annual Work Plans, Scorecards, Organizational Alignment, and Process Improvement) at MAIL, transferring skills to civil servants and rolling the program out to four additional DAILs.

VEGA's response to the draft audit centers on two major points: (1) the audit identified no costs that were deemed to be ineligible and no material weaknesses were reported; and (2) the internal control findings, while reporting significant deficiencies, were brought to the attention

## VEGA Management Response

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of VEGA/IESC senior management and have been addressed aggressively and completely, and no longer represent a concern for the remaining period of the cooperative agreement.

As explained more fully in our management response to each audit finding, VEGA and IESC strongly disagree with the report's recommendation that questioned costs; expenses inadequately supported, lacked management approval, or did not follow procurement procedures; and indirect costs associated with the ballpark fee be repaid to USDA. Given corroborating evidence provided to the audit team, VEGA and IESC clearly established the legitimacy of program costs incurred in the implementation of the CBCMP cooperative agreement. VEGA and IESC are firm in our belief that, with only minor exceptions, the costs questioned in the audit report are fully reasonable, allowable, and allocable. The CBIZ MHM, LLC & Mayer Hoffman McCann P.C. findings fail to acknowledge nor address the substantial supporting documentation that VEGA and IESC provided to the auditors.

The audit report's first finding failed to point out that VEGA independently identified an overbilling error for the Program Manager's recorded time for 2012 prior to the audit team's arrival. VEGA quickly conducted an exhaustive analysis and promptly repaid the amount overbilled (\$17,360). We believe that the audit report unfairly and mistakenly projects this 2012 time recording overbilling as a situation that existed from the beginning of the program in 2010.

The audit report's last finding (No. 7) concerning the ballpark fee is similarly mistaken. VEGA did not include the impact of the Ball Park Tax in its indirect cost pool in 2011. MHM misinterpreted the calculation of the indirect cost pool provided to them by VEGA and, therefore, no remedy is called for.

The only questioned costs where we agree that an error on our part was made total an amount of \$680.51 (for incorrect foreign exchange calculation and a missing invoice), for which VEGA is prepared to repay USDA.

For these reasons and our more detailed responses to specific audit report findings, VEGA and IESC firmly believe the recommendations to repay the amounts specified in the report (with the exception of the nominal amount mentioned above) to be unfair and unreasonable.

### **VEGA Responses to Specific Audit Findings**

#### **Internal Control Findings – Significant Deficiency**

**2013-1.** VEGA reported hours worked based upon estimates, and timesheets were not consistently signed by employees and approved by supervisors.

#### **CBIZ MHM, LLC & Mayer Hoffman McCann P.C. Recommendation:**

We recommend that VEGA return \$89,293 to USDA (\$106,653 total questioned costs less \$17,360 returned to USDA subsequent to the audit period) for the questionable payroll costs. We also recommend that VEGA reinforce its timekeeping policies to ensure that all time charged to the Agreement is based upon actual hours worked.

#### **VEGA Management Response:**

## VEGA Management Response

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VEGA does not concur with this recommendation. The audit report is in error when it states that “The Program Manager consistently charged about 40% of her time to the Agreement in order to utilize the budget. In addition, the employees state that they were not aware of the timesheet signing and approvals requirements.” Only for calendar year 2012 did the Program Manager, as instructed by the former VEGA CFO, bill her time based on a budgeted percentage rather than her actual time allocation. For the resultant overbilling, which VEGA independently identified prior to the audit team’s arrival, VEGA has already repaid USDA \$17,360 as noted in the audit report. For calendar years 2010 and 2011, the Program Manager accurately recorded her time on the project based on actual time worked.

Other VEGA staff who billed their time to the project in the finance office (two staff accountants), and who are no longer employed by VEGA, were interviewed on this issue by both the auditors and by VEGA management. They confirmed that they billed their actual time worked and not a pre-determined budgeted percentage. The actual time billed by these employees is consistent with the level of effort they devoted to supporting CBCMP relative to their other duties.

All employees were well aware of timesheet signing and approvals requirements (as established in the VEGA Employee Policy and Procedures Manual). The finance staff consistently advised all VEGA staff (7 employees total up until October 2012) of their timesheet obligation via email reminders. Timesheets were submitted by each employee directly to the Finance Office, where they were consolidated. Staff mistakenly understood that the Finance Office was obtaining the approvals of the corresponding supervisor. In fact, A-122 does not require signature by both the employee and supervisor. It states, “The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee,”

The new Managing Director for Finance and Administration (who started with VEGA on January 22, 2013) has implemented a more rigorous system for preparing timesheets and obtaining the corresponding supervisors’ approval prior to submitting to the Finance Office. All timesheets now need to be prepared and signed by the employee and submitted to direct supervisors for approval and signature. Timesheets are then submitted to finance for review, final approval, and processing.

### **Rebuttal to Management Response:**

We acknowledge the clarification provided by VEGA and have revised the cause in the finding to reflect this clarification that the timekeeping practice of the Project Manager related to 2012 only. Our recommendation, however, remains unchanged.

### **Revised Management Response:**

VEGA reiterates that we do not concur with this recommendation. Our original management response disagreed with the Condition substantively and in far broader terms than the clarification addressed in the Rebuttal.

The audit report failed to point out that VEGA independently identified an overbilling error for the Program Manager’s recorded time for 2012 prior to the audit team’s arrival (see Jan. 6 2012 email attached from VEGA alerting USDA that this financial irregularity had come to our attention.) The audit team was fully briefed on this situation upon the arrival of its field team and the full analysis of this issue was provided to the audit team (see February 6, 2012 letter to Eugene Philhower, USDA, also attached). The analysis included with this Feb.

## VEGA Management Response

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6 letter provided a detailed account of the Program Manager's actual work hours (as reconstituted by the employee). Thus it is incorrect for the audit report to claim that "actual hours worked were not available for audit."

While VEGA admits that all timesheets were not signed or approved by a supervisor, the audit team independently interviewed staff accountants regarding their time charges to the project and corroborated that they billed their actual time worked. Furthermore, the above-referenced Feb. 6 letter to USDA reflects a detailed analysis of timekeeping for the project and concludes that "the CFO's time and that for the two accountants does not reveal any overbilling." The audit report fails to reflect or comment on this information which was made available in a timely fashion during the course of the audit.

Having established the legitimate level of labor billed to the project, which neither USDA nor the audit report disputes, VEGA believes that the recommendation that "VEGA return \$89,672 to USDA ...for the questionable payroll costs" is uncalled for and that the hours billed to the project are fully reasonable, allowable, and allocable.

**2013-2.** VEGA did not consistently follow procurement procedures related to travel, supplies, equipment, contractual and other direct costs.

### CBIZ MHM, LLC & Mayer Hoffman McCann P.C. Recommendation

We recommend that VEGA return \$612,122 to USDA for expenses which were inadequately supported, lacked management approval, or did not follow procurement procedures. We also recommend that VEGA review its accounting and procurement system to ensure all accounting and procurement procedures are followed per the terms of the Agreement and related Federal regulations.

### VEGA/IESC Management Response:

VEGA and IESC respectfully disagree with this recommendation. None of the questioned costs were deemed unallowable. With the exception of two VEGA questioned costs totaling \$680.51 (for incorrect foreign exchange calculation and a missing invoice), the audit team was provided supporting documentation and/or strong and justifiable circumstantial evidence to substantiate the reasonableness of these expenses (please refer to VEGA's March 22, 2013 memo attached). IESC has previously supplied the auditors with 126 pages of source documentation and direct substantiation for 84 % (or \$392,938) of the questioned costs (also attached).

In the case of VEGA, all internal control weaknesses identified have been corrected and new processes implemented, including staff training, to ensure that program documentation is complete in the future. VEGA has put into place a dual-checks and balance process to ensure that time sheets, invoices, travel expenses, and other documents are processed with proper approvals and signature. All invoices and other expense reports now need to be reviewed, approved, and signed by the supervisor of the employee originating the expense. Invoices are then submitted to finance for review, final approval, and payment processing. While previously these documents could be submitted directly by employees to the accounting team for processing without dual-signatures and approvals, the reorganization of VEGA's team and delineation of the payment process ensure that dual-signatures will be made on all documents. Where senior management approvals were missing for

## VEGA Management Response

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questioned costs in the audit report, a careful review of all questioned costs was conducted and retroactive approvals were made.

Throughout the course of the program, IESC followed its procurement procedures and has procured goods and services that were necessary to fulfill the requirements of the approved work plan. IESC did obtain quotes from businesses to provide the goods or services needed. IESC does acknowledge that on some occasions, its senior manager in the field did not place their signature on the Expense Form that IESC uses to summarize a transaction, even though policies were followed in the procurement of the item.

Below is an itemized summary of questioned costs for which IESC previously supplied the auditors with supporting invoices or other sources of documentation (see 126 page attachment to our management response). All of the transactions are for expenses that were necessary to complete the approved work plan and were allowable and allocable to the CBCMP program and included in the CBCMP budget, therefore should be reimbursed. We believe that the CBIZ MHM, LLC & Mayer Hoffman McCann P.C. recommendation that \$612,122 be returned to USDA is both unfair and unreasonable.

### **Afghan Focus Logistics Invoice (22-1.6)**

Following the selection of Afghan Focus Logistics, see further explanation below, IESC leased one armored vehicle for a two-month period, prior to beginning the quarterly invoicing. An Expense Form with the Chief of Party's signature approving the invoice as well as the other competing firm's proposals are included in the attachment.

### **Lohr, R. Taxi Cab Receipt (7-1.1 &.2)**

Under IESC Travel Policy 2300, staff members are required to submit backup only for individual miscellaneous travel expenses over \$75, which need to be substantiated with a receipt.

### **Laptop Purchase, Victoria Shaw (9-1.1.2)**

This laptop was purchased by a member of the implementation team in December 2010 to allow her to carry the item with her on her flight to Afghanistan. This was during the commencement of the start-up phase of the program when timing is essential. This staff member did have the procurement approved by her supervisors and the purchase was reasonable in price. The supporting documentation for this expense is included in the attachment.

### **Canon International Scanner / Fax / Copier / Printer (9-1.19-.20)**

This procurement was completed by the field staff by obtaining three competitive bids. Canon International was selected as the winning firm. The IESC Chief of Party at the time, Mr. Greg Hemphill, approved the Expense Form for the purchase, as demonstrated in the attached documentation.

### **Marsh Business Travel Accident Insurance (3-3.1)**

Marsh is IESC's insurance broker. IESC does not have access to insurance carriers as a commercial entity and must use a broker to procure different business insurance. As part of our practice to regularly review our insurance policies, every year IESC completes an application which allows Marsh to obtain competitive quotes from the market. They then advise on the procurement of this insurance which allows IESC to provide best

## VEGA Management Response

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value to our programs. This line of insurance is reasonable, allocable and allowable and therefore should be reimbursed and not refunded.

### **Frontier Medex (3-3.2)**

IESC has been diligent in monitoring the cost of evacuation insurance. IESC had previously been insured under International SOS, which was determined to be significantly more expensive than industry standards. As part of our practice to regularly review our insurance policies and provide our clients with the best value for goods and services, IESC competed the insurance package and subsequently switched our Medevac insurance carrier to Frontier Medex in 2009 to reduce costs to the programs.

Frontier Medex's payable history was \$18,500 in 2009. In February 2010, the renewal was \$19,200, which was assessed and paid prior to signing the CBCMP award or any other program operating in a conflict zone such as Afghanistan. In November 2010, we added coverage for the CBCMP program to the policy for \$16,900. The CBCMP program's value was more than double any of the other programs in IESC's book of business. Due to both the estimated amount of travel and the fact that travel to the conflict zone, the amount went up considerably. Medevac insurance is a US Government requirement for implementing organizations.

### **Afghan Focus Logistics (33-1.12)**

IESC leases the armored vehicles it uses for this program from a local supplier through a competitive procurement in line with IESC's Procurement Policies. The program staff received three quotes from local suppliers; Sahil Safi Logistics Co, Telestar Logistics, and Afghan Focus Logistics. The field staff selected Afghan Focus Logistics and requested and received USDA approval. An agreement was completed and IESC is invoiced quarterly for the vehicle leases. Backup support for the transaction is included in the attachment. The Expense Form was signed by the current IESC Chief of Party. The invoiced amount is consistent each quarter.

### **Tax Payment to Afghanistan Ministry of Taxation (3-1.3)**

In April 2012, IESC completed the lease negotiations for a more secure and suitable compound for the program staff. According to the lease agreement, IESC was to withhold 15% of the annual rent and pay that portion to the Ministry of Taxation. This is the common practice of securing leases of commercial property in Afghanistan. Supporting documents are in the attachment. The transaction was approved and signed by both the IESC DCOP and COP.

### **Repair / Maintenance of the villa (32-1.4)**

This item was questioned due to the fact that a translation was not provided. The name of the store is written in English at the top of the invoice. The local staff in charge of procuring these items went and obtained three quotes from vendors with Paint in the title of their name, the vendor was selected based on lowest offer. The VP of Global Operations in DC and the COP approved the purchase and Expense Form respectively.

### **IESC CONSULTANTS**

**Anda Cosic (30-1.2-4), Land O Lakes (27-1.2), Alan James (15-1.2), Caroll Patterson (15-1.3):** supporting documentation is included in the attachment.

## VEGA Management Response

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### Afghanistan Public Protection Force (30-1.1)

The invoice received was in local currency and the invoice was paid via bank wire in local currency. The IESC field office noted the exchange rate on the transfer documentation, which was used to record the transaction in QuickBooks. The supporting documentation is attached.

#### Rebuttal to Management Response:

The unsupported costs were questioned due to the fact that the documentation provided for our review did not sufficiently support the costs incurred. As such, we have questioned these costs. It will be left to the ultimate decision of USAID as to whether the costs should be disallowed. All expenses charged to the Agreement should be adequately supported by an invoice, along with the necessary approvals at the time of making the payment and recording the transaction in the books. Substantiating expenses with circumstantial evidence or retroactive approvals evidences weak internal controls and is not in accordance with OMB Circular A-122. The following are our rebuttals to each of the points raised related to IESC's costs.

1. The expense form provided for our review did not contain the COP approval for the purchase of armed vehicles;
2. According to OMB Circular A-122 requirements as described in the criteria, the costs must be supported and the IESC travel policy of not requiring support for costs below \$75 is in conflict;
3. 3 quotes were not obtained for the purchase of the computer;

#### Revised Management Response:

VEGA and IESC reiterate our point-by-point response and maintain our position that we do not concur with the recommendation. Our original response and supporting documents clearly show that IESC took reasonable efforts to procure the necessary goods and services to fulfill the needs of the program. None of the costs were unallowable to the program. IESC has instructed and reminded all staff with signatory authority of the importance to review and approve all procurements that are made.

**2013-3.** The Accountant prepares the monthly bank reconciliation for VEGA, receives the bank statements directly and also has access to cash receipts and cash disbursements. These are incompatible functions that are typically segregated to avoid misappropriation of funds, and there is no evidence of a supervisory review of the bank reconciliation.

### CBIZ MHM, LLC & Mayer Hoffman McCann P.C. Recommendation

We recommend that VEGA implement procedures to ensure that individuals responsible for accounting for funds not have direct access to or control over those same funds. We also recommend that VEGA have the bank statements delivered directly to a supervisor for review prior to being given to the Accountant for preparation of the bank reconciliation, and have a supervisor review and approve the bank reconciliation after it has been prepared.

### VEGA's Management Response:

Based on a thorough review of VEGA's accounting processes by the new Managing Director for Finance and Administration and the new Senior Accountant, a revised bank reconciliation process has been established which clearly incorporates a separation of duties and proper internal controls. Under this new process, the staff

## VEGA Management Response

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accountant no longer has access to the bank account. The bank statement is printed by the Senior Accountant and the bank reconciliation cover sheet clearly delineates the signature of the preparer, the approver, and finally the sign-off by the Managing Director for Finance and Administration. This process is documented and is part of VEGA's Policy and Procedures Manual.

**2013-4.** The inventory of capital assets in Afghanistan was not reconciled to the general ledger. VEGA performed a reconciliation for the purpose of this audit and noted that \$11,778 of capital assets had not been properly recorded into the general ledger.

### CBIZ MHM, LLC & Mayer Hoffman McCann P.C. Recommendation

We recommend that VEGA implement procedures to reconcile the inventory of capital assets to the financial records on a periodic basis.

### VEGA/IESC Management Response:

IESC, as the lead implementing firm, purchased more than \$1.2M in capital assets and personal property during the program life. It should be noted that physical inspection of the inventory records did not yield any findings. The field staff has placed program inventory tags on all personal property that should be tagged and has kept a record of all the pertinent required information. The approved work plan involves upgrading the MAIL and DAIL offices with computers and other office hardware to enable the locations to effectively work and communicate. The field staff had coded certain items in the computer supplies category, such as toner, to an account code that was not meant to contain consumable office supplies but rather computer personal property. The items, such as toner, did not have an inventory tag and therefore were a reconciling difference between the two schedules. IESC has put in place a more frequent reconciliation to its process to ensure this issue does not occur in the future. Inventory reconciliations will be done every June and December.

**2013-5.** Out of the 8 subcontractors tested for excluded parties, VEGA did not perform an excluded parties check for 3 of the subcontractors. We reviewed the excluded parties list for these 3 subcontractors and determined that they were not on the list.

### CBIZ MHM, LLC & Mayer Hoffman McCann P.C. Recommendation

VEGA should review all vendors to ensure they do not appear on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.

### VEGA/IESC Management Response:

IESC has a Contractor Management System that it utilizes to process and complete the contractor transactions. A component of this system verifies the eligibility of the contractor to work on US Government awards. In the system, there is a field that is populated when the search on eligibility is completed. The current Vice President of Finance, Jason Jaecksch, is responsible for this search. In the case of the CBCMP program, he confirms that the search was completed as required by the system, however the field was not populated to document the search. As noted by the auditors, none of the firms were identified as ineligible. One component of this facilitation is to verify with SAM (System for Award Management) that during the selection process all contractors are eligible to work on US Government awards. IESC has since hired a Director of Contracts and

## VEGA Management Response

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Compliance to facilitate the subcontractor process and documentation and to ensure that the process is completed in compliance with our systems and policies.

**2013-6.** Program and financial personnel from VEGA and IESC made numerous trips to Afghanistan during the audit period. Explanations for these trips were that they were undertaken to monitor the subrecipients. However, these trips were not supported by monitoring or status reports that described the purpose of the trip and the benefit to the Agreement.

### CBIZ MHM, LLC & Mayer Hoffman McCann P.C. Recommendation

We recommend that VEGA document its monitoring efforts of its subrecipients by preparing and maintaining site visit reports as evidence that it met its monitoring requirements.

### VEGA/IESC Management Response:

USDA has offered to provide a retroactive approval for the VEGA CFO's March 2011 and May 2012 trips to Afghanistan, having recalled that these trips had been coordinated and approved verbally. The purpose of the March 2011 trip can also be found in the budget notes of the CBCMP budget which mandated the CFO's regular oversight visits and which had been previously approved by USDA. VEGA has revised its travel policy to include the requirement for trip reports and it has been incorporated it into VEGA's Employee Policy and Procedures Manual.

IESC Headquarter staff traveled to Afghanistan on targeted, well-announced and approved trips for program activities. IESC documentation supports that USDA was made aware of the trips prior to the trips being taken. Trip reports have not been required under IESC's travel policies, however we have required their submission on programs in the past. IESC is in the process of updating its travel policies and will include the requirement in the policies that trip reports be submitted by all staff members moving forward to document the purpose, activities, and outcomes of the trip.

**2013-7.** VEGA included unallowable ballpark fees in its indirect cost pool in determining its indirect cost rate.

### CBIZ MHM, LLC & Mayer Hoffman McCann P.C. Recommendation:

- (1) We recommend that VEGA contact USAID to discuss refund of the ballpark fee issue and ask USAID to reduce the CY 2012 indirect cost pool by \$46,400 when finalizing the CY 2012 final indirect rate..
- (2) We recommend that VEGA inform USDA of the results of any changes in the indirect cost rate as approved by USAID so that USDA can determine if there is any additional impact to this Agreement.

### VEGA Management Response:

Prior to being awarded this Cooperative Agreement by USDA, VEGA was required to pay a Ball Park Tax in fiscal 2009 and 2010, while its appeal for exemption was under review by the DC tax authority. VEGA won its appeal and was issued a tax refund in 2011 for the cumulative payments it made in 2009 and 2010.

## VEGA Management Response

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Regardless, the impact of these payments and cumulative credit was specifically excluded from VEGA's indirect cost pool in 2009, 2010, and 2011. The details of the NICRA calculation for these three years has been reviewed and approved by USAID. VEGA stands by its previous rebuttal that there is no discrepancy to be remedied related to its treatment of the Ball Park Tax.

Respectfully yours,



J. Michael Deal  
Executive Director & CEO

## SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

## Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site ([www.sigar.mil](http://www.sigar.mil)). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

## To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

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

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
- Email: [sigar.pentagon.inv.mbx.hotline@mail.mil](mailto:sigar.pentagon.inv.mbx.hotline@mail.mil)
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
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## Public Affairs

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