

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR Financial Audit 13-08

USAID's Human Resources and Logistical Support
Program: Audit of Costs Incurred by International Relief and
Development, Inc.



JULY
2013



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 16, 2013

Dr. Rajiv Shah
Administrator
U.S. Agency for International Development

Ms. Sara W. Wines
Acting Mission Director for Afghanistan
U.S. Agency for International Development

This letter transmits the results of our audit of costs incurred by International Relief and Development, Inc. (IRD) under a USAID contract for its Human Resources and Logistical Support Program. The audit covered the period March 1, 2006, through April, 30, 2011,¹ and was performed by Crowe Horwath LLP with SIGAR oversight. It covered \$81,178,257 in expenditures.

The goals of the USAID contract were to provide human resources and logistical support to USAID in designing, monitoring, and guiding the activities of other USAID-funded contractors and to provide consulting services to the USAID Afghanistan Mission and Afghan government entities.

The specific objectives of this financial audit were to

- render an opinion on the fair presentation of IRD's Fund Accountability Statement;²
- determine and report on whether IRD has taken corrective action on recommendations from prior audits or assessments;
- identify and report on significant deficiencies, including any material weaknesses, in IRD'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 its audit, SIGAR is required by auditing standards to provide oversight of the audit work performed. Accordingly, SIGAR reviewed Crowe Horwath's audit results and found them to be in accordance with generally accepted government auditing standards.

Crowe Horwath found that the Fund Accountability Statement presented fairly, in all material respects, revenues received and costs incurred under the contract and identified no recommendations from prior audits or assessments for follow-up or corrective action. Nevertheless, Crowe Horwath reported three significant deficiencies in internal control and six findings pertaining to matters of noncompliance. Where internal control

¹ USAID contract no. 306-M-00-06-00505-00 to support activities of other USAID-funded contractors.

² 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.

and compliance findings pertained to the same matter, they were consolidated within a single finding. The \$1,484,824 in questioned costs³ included \$99 in ineligible costs⁴ and \$1,484,725 in unsupported costs.⁵

See table 1 below.

Table 1 - Summary of Questioned Costs

Category	Questioned Costs Total	Ineligible	Unsupported
Subcontracts	\$1,482,779		\$1,482,779
Other Direct Costs	\$ 2,045	\$99	\$ 1,946
Totals	\$1,484,824	\$99	\$1,484,725

Given the results of the audit, SIGAR recommends that the Mission Director of USAID/Afghanistan:

1. Determine the allowability of and recover, as appropriate, \$1,484,824 in questioned costs identified in the report.
2. Advise International Relief and Development, Inc. to address the three internal control findings identified in the report.
3. Advise International Relief and Development, Inc. to address the six 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

(F-005)

³ The financial audit report's "Schedule of Findings and Questioned Costs" provides details.

⁴ Ineligible costs are costs that the auditor has determined to be unallowable. These costs are recommended for exclusion from the Fund Accountability Statement and review by USAID to make a final determination regarding allowability.

⁵ Unsupported costs are costs for which adequate or sufficient documentation necessary for the auditor to determine the propriety of costs was not made available.



International Relief and Development, Inc.

**Special Purpose Fund Accountability Statement –
Human Resources and Logistical Support Program**

For the Period March 1, 2006 through April 30, 2011

(With Independent Auditor's Report Thereon)

Table of Contents

TRANSMITTAL LETTER	1
SUMMARY	2
BACKGROUND	2
WORK PERFORMED.....	2
OBJECTIVES DEFINED BY SIGAR.....	2
SCOPE	3
METHODOLOGY.....	3
SUMMARY OF RESULTS.....	4
INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FUND ACCOUNTABILITY STATEMENT	6
SPECIAL PURPOSE FUND ACCOUNTABILITY STATEMENT	8
NOTES TO THE SPECIAL PURPOSE FUND ACCOUNTABILITY STATEMENT	9
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL.....	12
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE	14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	15
APPENDIX A - VIEWS OF RESPONSIBLE OFFICIALS	23
APPENDIX B – AUDITOR'S REBUTTAL	27



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Transmittal Letter

May 31, 2013

To the Board of Directors of International Relief and Development, Inc.
1621 North Kent Street
Fourth Floor
Arlington, VA 22209

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

We appreciate the opportunity to provide to you our final report reflecting upon the procedures that we completed during the course of our audit of International Relief and Development, Inc.'s ("IRD") task order with the United States Agency for International Development funding the Human Resources and Logistical Support Program (Task Order 306-M-00-06-00505-00).

Within the pages that follow, we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Special Purpose Fund Accountability Statement, report on internal control, and report on compliance. Accordingly, we do not express an opinion on the summary and any information preceding our reports.

We previously provided to SIGAR a draft report reflecting upon our audit procedures and results. IRD received a copy of the report and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, in addition to both the written and oral feedback provided by IRD and SIGAR. IRD's responses are incorporated into this report following our audit reports.

Thank you for providing us the opportunity to work with you and to conduct the audit of IRD's Human Resources and Logistical Support Program.

Sincerely,

A handwritten signature in black ink, appearing to read "Bert Nuehring", written over a horizontal line.

Bert Nuehring, CPA, Partner
Crowe Horwath LLP

Summary

Background

International Relief and Development, Inc. (“IRD”) was awarded a task order by the United States Agency for International Development (“USAID”) to provide qualified professionals and technicians to help with technical assistance to the USAID/Afghanistan Office of Infrastructure Engineering and Energy (“OIEE”). In addition, IRD provided support services to help design, monitor, and support USAID’s activities and its contractors while also enhancing the capacity of various ministries in the region. The task order - 306-M-00-06-00505-00 – incorporated an initial ceiling price of \$57,937,032 and a period of performance of March 1, 2006 through February 28, 2011. Through subsequent modifications to the task order as documented through fifteen task order modifications, the final completion date was established as April 30, 2011, and the ceiling price increased to \$84,377,180. IRD expended \$ 81,178,257 throughout the task order period.

Throughout the five years of performance, task order work performed included (unaudited by Crowe):

- Quality assurance monitoring of over \$100 million in health education, and road construction projects;
- Technical review of engineering documents;
- Post-occupancy evaluations of hundreds of schools and clinics;
- Technical capacity building in the Ministry of Mines, and Ministry of Energy and Water;
- Public outreach through print, radio television, and special events campaigns;
- Support to USAID on acute, short-term needs throughout all engineering disciplines;
- Implementation of a robust database to track and manage USAID programs;
- Providing RSO-compliant security for expatriate travel to project locations.

Project work concluded in February 2011. The task order remains open pending approval of final indirect cost rates.

Work Performed

Crowe Horwath LLP (“Crowe”) was engaged by the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of IRD’s Human Resources and Logistic Support Program (“HRLS”).

Objectives Defined by SIGAR

The following audit objectives were defined within the *Performance Work Statement for Financial Audits of Costs Incurred by Organizations Task ordered by the U.S. Government for Reconstruction Activities in Afghanistan*:

Audit Objective 1 – Internal Controls

Evaluate and obtain a sufficient understanding of the audited entity’s internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 2 – Compliance

Perform tests to determine whether the audited entity 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.

Audit Objective 3 – Corrective Action on Prior Audit Recommendations

Determine and report on whether the audited entity has taken adequate corrective action on prior external audit report recommendations or other external assessment recommendations.

Audit Objective 4 – Special Purpose Fund Accountability Statement

Express an opinion on whether the Special Purpose Fund Accountability Statement for the award 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 accounting principles generally accepted in the United States of America.

Scope

The scope of the audit included the period from March 1, 2006, through April 30, 2011, and was limited to those matters and procedures pertinent to the task order that have a direct and material effect on the Special Purpose Fund Accountability Statement (“FAS”) and evaluation of the presentation, content, and underlying records of the FAS. The audit included reviewing the financial records that support the FAS to determine if there were material misstatements, the FAS was prepared in accordance with accounting principles generally accepted in the United States of America, and the FAS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Costs;
- Allowable Activities;
- Cash Management;
- Procurement;
- Reporting;
- Period of Availability of Federal Funds;
- Special Tests and Provisions, including evaluation of IRD’s Code of Business Ethics for adoption during the task order period, review of the methodology used to determine if a subcontractor was involved in or diverted funds to terrorist activities, conduct of inquiries to determine if known credible dishonest acts, fraud, waste, or abuse were reported to the Office of the Inspector General;
- Equipment and Real Property Management; and
- Eligibility.

Methodology

To meet the aforementioned objectives, Crowe identified – through review and evaluation of the task order executed by and between IRD and USAID, the Federal Acquisition Regulation (“FAR”), OMB Circular A-122, and the USAID Acquisition Regulation (“AIDAR”) – the criteria against which to test the Special Purpose Fund Accountability Statement and supporting financial records and documentation. The auditee provided copies of policies and procedures and verbally communicated those procedures that do not exist in written format to provide Crowe with an understanding of the system of internal control established by IRD to provide reasonable assurance of achieving reliable financial and performance reporting and compliance with applicable laws and regulations.

Using sampling techniques, Crowe selected samples of expenditures, invoices submitted to USAID, procurements, inventories, assets that were disposed of after the task order performance period, and quarterly financial reports for audit. Supporting documentation was provided by the auditee and subsequently evaluated to assess IRD's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in compliance with the negotiated indirect cost rate agreements.

Due to the location and nature of the task order work, some financial records and subcontractors were and are still located in Afghanistan. As such, certain audit procedures were performed on-site in Afghanistan, as deemed necessary.

Summary of Results

Upon completion of Crowe's procedures, Crowe identified seven findings due to the underlying issue or cause being considered significant deficiencies in internal control, material weaknesses in internal control, and/or noncompliance with rules, laws, regulations, or the terms and conditions of the task order. Matters that were identified during the course of the audit, but were not classified as findings due to their not meeting the aforementioned three criteria, were reported to IRD within a management letter dated May 31, 2013.

Crowe issued an unqualified opinion on the Special Purpose Fund Accountability Statement. No findings or combination of findings were identified that resulted in a known or likely material misstatement of the FAS.

Crowe also reported on both IRD's compliance with the applicable laws, rules, regulations, and the terms and conditions of the task order and the internal controls over compliance. Three significant deficiencies in internal control were reported and six findings pertained to matters of noncompliance. Where internal control and compliance findings pertained to the same matter, they were consolidated within a single finding. A total of \$1,484,824 in costs was questioned. The questioned costs are summarized in the following table.

TABLE A: Summary of Findings and Questioned Costs

Finding Number	Matter	Questioned Costs	Cumulative Questioned Costs
2012-01	Cash Management: Frequency of Invoice Submittals	\$ 0	\$ 0
2012-02	Cash Management: Contractors Not Paid Within Thirty Days of Invoicing USAID	\$ 0	\$ 0
2012-03	Procurement and Suspension and Debarment: Lack of Fully Executed Contracts	\$ 1,482,779	\$ 1,482,779
2012-04	Inadequate and Unproduced Supporting Documentation	\$ 1,946	\$ 1,484,725
2012-05	Reporting: Quarterly Financial Reporting	\$ 0	\$ 1,484,725
2012-06	Procurement Suspension and Debarment: EPLS Search	\$ 0	\$ 1,484,725
2012-07	Ineligible Costs: Purchase of Alcohol	\$ 99	\$ 1,484,824
Total Questioned Costs			\$ 1,484,824

Finding 2012-02 includes \$1,437 in estimated interest that is payable to the Government based on IRD's obtaining reimbursement for costs prior to the charges being eligible for reimbursement. This amount is not presented as a questioned cost as the amount reflects foregone interest that would have been received or earned by the Government and does not have an impact on the costs incurred.

Crowe performed procedures to identify prior audit findings that would be of impact to the HRLS project and the Special Purpose Fund Accountability Statement. Crowe was provided with one audit report issued by the United States Agency for International Development's Office of the Inspector General and six Single Audit Reports for fiscal years 2006 through 2011 that were conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. No prior audit findings were identified that were considered to be applicable to the scope of the audit.

This summary is intended to present an overview of the results of procedures completed for the purposes described herein and is not intended to be a representation of the audit's results in their entirety.

Summary of Management Comments

IRD's management provided responses to the findings included within this report on May 30, 2013. The finding numbers included within this summary reflect the final finding numbers appearing in this report. Due to removal of finding 2012-03 following receipt of additional supporting documentation, this summary will not correspond to the management responses included in **Appendix A**.

IRD's management concurred with findings 2012-01, 2012-04, 2012-06, and 2012-07. Management agreed with finding 2012-02, but considered the payment delays to be immaterial and the result of additional review procedures undertaken to exercise good stewardship of Federal funds. IRD disagreed with findings 2012-03 and 2012-05 for the following reasons:

- 2012-03 – One subcontracting arrangement was approved by the Contracting Officer and the underlying contract was ultimately executed to include the full period of performance, the amendment to another contract was located thus indicating that an original executed agreement was in place, and the relationship with a third vendor ended when the subcontractor and IRD could not reach agreement and payment was made for services rendered prior to that point only; and
- 2012-05 – USAID did not define the requirements for a quarterly financial report and the Contracting Officer Representative indicated that all reports under the task order had been received from IRD.

References to Appendices

The auditor's reports are supplemented by one appendix appendices. **Appendix A** includes the Views of Responsible Officials, which are management's responses to the findings presented within the report. In addition to the narrative response, IRD provided supporting documentation that was not available prior to the initial drafting of the report in support of its positions. The report was modified as appropriate. This documentation has not been included as a component of **Appendix A**, but has been provided to SIGAR under separate cover. **Appendix B** contains the auditor's rebuttal to management's responses and is intended to provide clarity to certain matters referenced in management's responses and to identify where adjustments were made following review of additional supporting documentation provided by IRD.

**INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL
PURPOSE FUND ACCOUNTABILITY STATEMENT**

To the Board of Directors of International Relief and Development, Inc.
1621 North Kent Street
Arlington, VA 22209

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

Report on the Special Purpose Fund Accountability Statement

We have audited the Special Purpose Fund Accountability Statement (the "Statement") of International Relief and Development, Incorporated ("IRD" or the "Company") for task order number 306-M-00-06-00505-00 for the period March 1, 2006, through April 30, 2011, and the related notes to the Statement.

Management's Responsibility for the Special Purpose Fund Accountability Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America and budgeted, actual, ineligible and unsupported program revenues, costs incurred and reimbursed, and remaining fund balance in accordance with the terms of the task order; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Special Purpose 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 Statement.

(Continued)

Opinion

In our opinion, the Special Purpose Fund Accountability Statement referred to above presents fairly, in all material respects, budgeted, actual, ineligible and unsupported program revenues, costs incurred and reimbursed, and remaining fund balance for the Period March 1, 2006, through April 30, 2011, in accordance with the terms of the task order and in conformity with the accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated May 31, 2013, on our consideration of IRD's internal controls and on our tests of its compliance with certain provisions of laws, regulations, task orders, 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* and should be considered in assessing the results of our audit.

This report is intended for the information of International Relief and Development, Inc., the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

A handwritten signature in dark ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

May 31, 2013
Washington, D.C.

International Relief and Development, Inc.
Special Purpose Fund Accountability Statement
For the Period March 1, 2006, through April 30, 2011

	Questioned Costs					
	<u>Budget</u>		<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Corresponding Note(s)</u>
Revenues						
Total Revenue	\$ 84,377,180	\$	81,172,997	\$ -	\$ -	4
Costs Incurred by Budget Category						6
Personnel	\$ 41,841,322	\$	41,137,947			
Subcontracts	\$ 17,170,850	\$	15,618,842		\$ 1,482,779	A
Travel, Transportation and Per Diem	\$ 1,102,450	\$	838,854			
Equipment	\$ 1,474,515	\$	1,261,852			
Other Direct Costs	\$ 13,905,096	\$	13,184,878	\$ 99	\$ 1,946	B, C
Indirect Costs	\$ 7,134,984	\$	7,387,921			
Fee	\$ 1,747,963	\$	1,747,963	\$ -	\$ -	
Total Costs Incurred	\$ 84,377,180	\$	81,178,257	\$ 99	\$ 1,484,725	
Outstanding Fund Balance	<u>\$ -</u>	<u>\$</u>	<u>(5,260)</u>			7, 11

The accompanying notes to the Special Purpose Fund Accountability Statement are an integral part of this Statement.

International Relief and Development, Inc.¹
Notes to the Special Purpose Fund Accountability Statement
For the Period March 1, 2006, through April 30, 2011

Note 1. Basis of Presentation

The accompanying Special Purpose Fund Accountability Statement (the "Statement") includes costs incurred under Task order 306-M-00-06-00505-0 for the Human Resources and Logistic Support Program for the period March 1, 2006 through April 30, 2011. Because the Statement presents only a selected portion of the operations of International Relief and Development, Inc. ("IRD"), it is not intended to and does not present the financial position, changes in net assets, or cash flows of IRD. The information in this Statement is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction ("SIGAR"), accounting principles generally accepted in the United States of America, and is specific to the aforementioned task order. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Basis of Accounting

Expenditures reported on the Statement are required to be presented in accordance with accounting principles generally accepted in the United States of America and, therefore, are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Foreign Currency Conversion Method

For purposes of preparing the Special Purpose Fund Accountability Statement, IRD applies the weighted average exchange rate of U.S. dollars exchanged to Afghani (the local currency).

Note 4. Revenues

Revenues on the Statement represent claimed costs reimbursed to IRD by USAID for costs incurred under the task order during the period of performance.

Note 5. Questioned Costs

Questioned costs are those costs that are questioned by the auditor because of an audit finding: (1) which resulted, in the auditor's opinion, from a violation or possible violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds; (2) where, in the auditor's opinion, the costs, at the time of the audit, are not supported by adequate documentation; or (3) where, in the auditor's opinion, the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances. Questioned costs are presented in the Statement in two categories: unsupported and ineligible costs. Unsupported costs are those costs for which adequate or sufficient documentation necessary for the auditor to determine the allowability and accuracy of costs was not made available. Ineligible costs are those costs that the auditor has determined to be unallowable or inaccurate and recommended for exclusion from the Statement and for a final determination by the USAID Contracting Officer.

¹ The Notes to the Special Purpose Fund Accountability Statement denoted herein are the responsibility of IRD.

(Continued)

Questioned costs are detailed within the Schedule of Findings and Questioned Costs that accompanies the Independent Auditor's Report on Compliance. Total questioned costs identified by the auditor are \$1,484,824.

Note 6. Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final, USAID-approved task order budget adopted as a component of the fourteenth modification to the task order award dated March 1, 2011.

Note 7. Fund Balance

The fund balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the task order and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

Note 8. Currency

All amounts presented are shown in U.S. dollars - the reporting currency of IRD. Costs incurred in a foreign country and recorded in a foreign currency have been converted to U.S. dollars consistent with IRD's foreign currency conversion policy.

Note 9. Status of Invoicing to USAID

The Statement, as presented, reflects all invoices submitted to USAID as of November 28, 2012. The task order has not been closed and a final invoice to USAID has not been rendered pending finalization of IRD's negotiated indirect cost rate agreement ("NICRA").

Note 10. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to April 30, 2011. Management has performed their analysis through May 31, 2013 - the date the Statement was available to be issued – and identified no issues or matters that would materially alter the Fund Accountability Statement as presented.

Note 11. Reconciliation of the Fund Accountability Statement

The FAS reports \$81,178,257 in costs incurred. The financial records maintained by IRD report \$81,172,997 has been reimbursed to IRD. The difference of \$5,260 reflects amounts that have not yet been billed to USAID pending additional review by IRD.

Notes to the Questioned Costs Presented on the Fund Accountability Statement²

Note A. Questioned Costs – Procurement: Lack of Fully Executed Contracts

Finding 2012-03 questions \$1,482,779 in costs due to lack of fully executed contracts and adequate documentation to support the procurement of services from IRD's vendors.

Note B. Questioned Costs – Inadequate and Unproduced Supporting Documentation

Finding 2012-04 questions \$1,946 in costs due to inadequate supporting documentation for the related expenditures.

Note C. Questioned Costs – Ineligible Costs: Purchase of Alcohol

Finding 2012-07 questions \$99 in costs due to the purchase of goods that were ineligible.

² Notes to the Questioned Costs Presented on the Fund Accountability Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Statement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors of International Relief and Development, Inc.
1621 North Kent Street
Arlington, VA 22209

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

We have audited the Special Purpose Fund Accountability Statement (the "Statement") of International Relief and Development, Incorporated ("IRD" or the "Company") for the period March 1, 2006, through April 30, 2011, and have issued our report thereon dated May 31, 2013, which included an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Fund Accountability Statement is free of material misstatement.

Internal Control: IRD's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the task order; and transactions are recorded properly to permit the preparation of the Special Purpose Fund Accountability Statement in conformity with the basis of accounting described in Note 2 to the Special Purpose Fund Accountability Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement for the period March 1, 2006, through April 30, 2011, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement and not to provide an opinion on internal control over financial reporting. Accordingly, we do not express such an opinion on internal control over financial reporting.

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 statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses under standards established by the American Institute of Certified Public Accountants ("AICPA") and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal controls that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider being significant deficiencies as identified in the accompanying Schedule of Findings and Questioned Costs: Findings 2012-03, 2012-05, and 2012-06. 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.

IRD's responses to the findings identified in our audit are attached as Appendix A to this report. We did not audit IRD's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to IRD's management in a separate letter dated May 31, 2013.

This report is intended for the information of International Relief and Development, Incorporated, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

A handwritten signature in dark ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

May 31, 2013
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors of
International Relief and Development, Inc.
1621 North Kent Street
Arlington, VA 22209

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

We have audited the Special Purpose Fund Accountability Statement (the "Statement") of International Relief and Development ("IRD" or the "Company") for the period March 1, 2006, through April 30, 2011, and have issued our report on it dated May 31, 2013, which included an unqualified opinion.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Fund Accountability Statement is free of material misstatement resulting from violations of the task order's terms and conditions and applicable laws and regulations that have a direct and material effect on the determination of the Special Purpose Fund Accountability Statement amounts.

Compliance with task order terms and laws and regulations applicable to IRD is the responsibility of IRD's management. As part of obtaining reasonable assurance about whether the Special Purpose Fund Accountability Statement is free of material misstatement, we performed tests of IRD's compliance with certain provisions of the task order's terms and conditions and applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Seven instances of noncompliance that are required to be reported in accordance with Government Auditing Standards were disclosed during our procedures. These instances are described in the following findings: 2012-01, 2012-02, 2012-03, 2012-04, 2012-05, and 2012-07.

The purpose of this report is solely to describe the scope of our testing of compliance with the terms and laws and regulations that have a direct and material effect on the Statement and the results of that testing, and not to provide a legal determination of compliance with those requirements or an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

This report is intended for the information of International Relief and Development, Incorporated, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.



Crowe Horwath LLP

May 31, 2013
Washington, D.C.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Finding 2012-01: Cash Management - Frequency of Invoice Submittals

Non-Compliance

Criteria: Invoices (vouchers) submitted to USAID may be submitted at most once per month unless more frequent billing is approved by the Contracting Officer, per FAR 52.232-7(a)(1).

Condition: During review of the invoices submitted to USAID by IRD, eight invoices were identified that were submitted within the same month as a prior request for reimbursement. Invoice submissions ranged from two invoices submitted on the same day to eleven days after the predecessor invoice. The following table summarizes the identified invoice numbers, the submission dates, amounts of the requests, and submission date, and the number of days between submissions.

Invoice #	Invoice Submission Date	Amount of Invoice	Predecessor Invoice Submission Date	Days Between Submissions
11	4/20/2007	\$ 800,484.04	4/20/2007	0
28	9/2/2008	\$ 962,557.57	9/2/2008	0
30	11/21/2008	\$ 710,402.38	11/17/2008	4
34	2/9/2009	\$ 1,173,126.56	2/6/2009	3
48	6/22/2009	\$ 884,785.35	6/15/2009	7
49	6/25/2009	\$ 939,278.95	6/22/2009	3
52	9/15/2009	\$ 1,176,225.53	9/8/2009	7
67	11/30/2010	\$ 2,432,392.56	11/19/2010	11

Questioned costs: None.

Effect: Payment requests were submitted to USAID more frequently than permitted resulting in additional administrative burden being placed on the Government than necessary.

Cause: IRD stated that they were understaffed during the period of their accounting system conversion which was completed January 1, 2009. The issues encountered resulted in invoices, which are based on the financial system data, being unavailable by IRD's intended billing timelines. This caused multiple reimbursement requests to be submitted per month.

Recommendation: We recommend that IRD establish controls to ensure invoices are submitted to USAID in accordance with the above noted criteria or seek approval for more frequent invoicing from the contracting officer as allowed.

Regarding the invoice review process, we recommend that IRD 1) document the review and approval of each invoice by the international program accounting team and 2) that the team include within its review program an evaluation for compliance with frequency of invoicing limitations.

(Continued)

Finding 2012-02: Cash Management - Contractors Not Paid Within Thirty days of Invoicing USAID

Non-Compliance

Criteria: FAR 52.216-7(b) defines reimbursable costs as those recorded costs that, at the time of the request for reimbursement, the Contractor has paid by cash, check or other form of actual payment for items or services purchased directly for the contract or unpaid costs provided that the Contractor is not delinquent in making payments to the vendor. Such unpaid costs may be reimbursed provided that payments due will be made (1) in accordance with the terms and conditions of a subcontract or invoice and (2) ordinarily within 30 days of the submission of the payment request to the Government.

In addition, FAR 52.232-7(b) states that the Government will reimburse the contractor for supplies and services purchased directly for the contract when the contractor has made payments for these purchased supplies or services or will make those payments determined due in accordance with the terms and conditions of a subcontractor invoice and ordinarily within thirty days of submission of an invoice to the Government.

Condition: Invoices for security, global mission costs, and a helicopter were identified that supported costs submitted to the Government for reimbursement. However, payment was not rendered to the vendors within thirty days of IRD billing USAID or within the timeframe prescribed within the applicable subcontract agreements. The delay in payment to vendors ranged from two days to four months beyond the allowed thirty day window. See the following table:

Nature of Charge	Amount	Days Between Submission and Payment (Less 30 Day Window)	Daily Interest Rate per U.S. Department of Treasury for Applicable Fiscal Year	Interest Payable
Security Provider	\$ 412,202	27	0.00035%	\$ 39
Helicopter	\$ 382,978	20	0.00035%	\$ 27
Security Provider	\$ 235,414	5	0.01372%	\$ 161
Security Provider	\$ 116,318	5	0.01015%	\$ 59
Security Provider	\$ 106,051	5	0.01015%	\$ 54
Security Provider	\$ 103,840	18	0.01372%	\$ 256
Security Provider	\$ 109,202	33	0.01033%	\$ 372
Global Mission Cost	\$ 109,475	120	0.00269%	\$ 353
Global Mission Cost	\$ 47,419	90	0.00269%	\$ 115
Total Interest				\$ 1,437

Questioned costs: None. The estimated amount to be remitted to USAID is \$1,437. Due to this amount pertaining to interest earned on advanced funds rather than costs incurred, the amount is not included on the Fund Accountability Statement.

Effect: Payment was rendered prematurely as IRD did not pay the invoiced costs within the allowed timeframe. The Government was denied \$1,437 in interest due to the premature disbursements to IRD.

Cause: IRD invoiced USAID as services were rendered. Payments for the corresponding invoices were withheld from vendors in order to verify that amounts billed by the vendors were accurate and supported thus resulting in the delays between payment and requests for reimbursement.

(Continued)

Recommendation: We recommend that IRD remit \$1,437 to USAID for unnecessary interest costs and develop a control mechanism to ensure that vouchers are submitted for reimbursement only for allowable costs that will be paid within thirty days.

(Continued)

Finding 2012-03: Procurement: Lack of Fully Executed Contracts

Significant Deficiency and Non-Compliance

Criteria: Title 48, Part 31.7 of the Code of Federal Regulations identifies OMB Circular A-122 as the guidance presenting requirements and guidelines that determine the allowability of professional service costs. The Circular includes a requirement that professional services be supported by an adequate contract. The Circular further presents criteria upon which reasonableness of costs may be evaluated - including compliance with the contractor's established policies and procedures.

In addition, Chapter 2 of IRD's Procurement Policy specifies procedures that are intended to provide controls over the reasonableness of costs and necessity of purchases, including a delegation of authority policy that identifies the individuals who are required to award and/or sign, grants, amendments, and other agreements.

Condition: Three vendors provided services to IRD and were paid without having a contract signed by both parties - the vendor and IRD. Failure to obtain the approvals required per IRD's delegation of authority policy is a departure from IRD's established policy.

The initial contract for Global Strategies - the security contractor on the HRLS project was not signed by either party in a timely manner. The base period of the contract was May 1, 2007, through April 30, 2008. The IRD representative's signature was dated May 7, 2008, and Global Strategies executed the agreement on April 30, 2008. During the time that the contract was not fully executed, Global strategies received \$1,357,617 in payments.

Hill International was included as part of the original IRD application submitted to USAID. However, when IRD was successful in receiving the HRLS task order, no subcontract between Hill International and IRD was executed to formalize the agreement between the two parties. Hill received \$113,055 in payments under the HRLS contract.

The procurement file for Multinet, an internet provider, did not contain the original, executed contract. The file contained an amended contract dated June 21, 2010, which referred to the original contract dated May 12, 2009. The original contract was not provided. Multinet received \$12,108 during the period May 12, 2009, through June 21, 2010.

Questioned costs: \$1,482,779 is questioned as costs unsupported by professional services contracts.

Effect: In the absence of a contractual agreement specifying the scope, price, and nature of work performed, a determination regarding the adequacy of the contract for the services rendered could not be made. Further, in the absence of the internal reviews and approvals identified in IRD's internal procurement policy, it is unclear whether the purchases were considered necessary and reasonable by management. Based on the dollar value of the questioned cost incurred this finding has been designated as a Material weakness.

Cause: IRD is unsure why these contracts were not fully executed; the issue appears to have stemmed from an administrative oversight.

Recommendation: We recommend that IRD develop a policy and related procedure to ensure that vendor/subcontractor agreements are fully executed prior to vendors beginning Federally-funded work. We further recommend IRD work with USAID to determine the proper course of action to return the \$1,482,779 in questioned costs to USAID.

(Continued)

Finding 2012-04: Inadequate and Unproduced Supporting Documentation

Non-Compliance

Criteria: In accordance with OMB Circular A-122, IRD is responsible for maintaining supporting documentation adequate to support the allowability of costs incurred.

Condition: IRD did not produce adequate supporting documentation for the following transactions:

1. Three employees were reimbursed for repair, maintenance, copying, and printing costs. Documentation was unavailable to support payment for the goods having been received. The invoices total \$1,513;
2. IRD could not locate supporting documentation supporting two transactions totaling \$230 related to Afghanistan field expenses; and
3. Supporting documentation provided for Afghan field expenses in Afghani (AFs), the local Afghan currency, was AFs 10,170 less than the amounts appearing in the financial records that support the total costs incurred and charged to the project. This amount equals approximately \$203 USD. The AFs were converted utilizing a conversion rate of 50.1 AFs to USD.

Questioned costs: \$1,946 is questioned as unsupported costs.

Effect: Without adequate supporting documentation, it could not be determined that Federal funds were used for the intended purposes identified within the task order and were otherwise allowable.

Cause: IRD was unable to locate the supporting documentation showing the employees had incurred and paid the costs (\$1,513) and that the Afghanistan field expenses had actually been incurred (\$230). This was an oversight in the review process that resulted in the costs being charged without adequate support.

The error between the amount recorded and the amounts appearing in the supporting documentation for the \$203 in costs appears to have been an administrative error in the processing of the supporting documentation.

Recommendation: We recommend that IRD provide training to field staff regarding the maintenance of required documentation to support costs incurred and reimbursement from USAID. We further recommend IRD work with USAID to determine the proper course of action to return the \$1,946 in questioned costs to USAID.

Finding 2012-05: Reporting: Quarterly Financial Report

Significant Deficiency and Non-Compliance

Criteria: Section A.4.6 of Basic Award Task Order 306-M-00-06-00505-00 for IRD requires the submission of quarterly program and financial reports

Condition: IRD did not submit quarterly financial reports to USAID during the task order period's period of performance - March 1, 2006, through April 30, 2010.

Questioned costs: None

Effect: USAID did not receive the periodic financial data needed to monitor the task order performance.

Cause: IRD interpreted the task order requirement to be that a quarterly program report was required, but that the financial reporting requirement referenced was not applicable due to there not being a specific format for the financial report defined in the task order.

Recommendation: We recommend that IRD develop a procedure to obtain written clarification from the contracting officer when task order requirements are unclear or otherwise subject to interpretation to mitigate the risk of noncompliance.

Finding 2012-06: Procurement: EPLS Search

Significant Deficiency

Criteria: 22 CFR Part 226.13 requires compliance with the nonprocurement debarment and suspension common rule, which restricts subawards and contracts with certain parties that are suspended, debarred, or otherwise excluded from receiving Federal funds. Chapter 2 of IRD's HRLS *Procurement Policy* states: "IRD will consult the Excluded Parties List at www.epls.gov and document in the contract file that this list was consulted."

Condition: Documentation was unavailable to show that IRD conducted reviews of the Excluded Parties List System ("EPLS") prior to entering into subcontracts to verify that subcontractors were not suspended, debarred, or otherwise excluded from receiving Federal funds. Of the ten procurement files reviewed, IRD was not able to provide documentation of EPLS searches performed prior to contracts being executed for nine of the procurement files selected. The table below notes specific information for each vendor noted. During an independent search of excluded parties, the auditor did not identify any parties that were excluded during the period of performance.

Vendor	Contract Date or Date of first expenditure	Date of EPLS Search	Total Expenditures
Hill International	March 15, 2007	Not Evidenced	\$ 113,055
Multinet	May 12, 2009	October 27, 2010	\$ 22,294
Neadia	August 31, 2010	Not Evidenced	\$ 406,740
Datapipe, Inc.	April 20, 2010	October 27, 2010	\$ 15,471
Afghan Wireless Comm	March 1, 2009	October 27, 2010	\$ 11,832
CeReTechs	March 24, 2008	October 26, 2010	\$ 322,917
Obaidi Sons Construct	June 18, 2009	March 7, 2013	\$ 68,609
Megaplus Computers	May 28, 2006	October 27, 2010	\$ 353,605
Liwai	January 31, 2007	October 27, 2010	\$ 39,726
Total			\$ 1,354,249

Questioned costs: None

Effect: IRD may unintentionally enter into contractual relationships with excluded or prohibited parties that the Government has identified as being inappropriate to receive Federal funds. Such costs would be considered unallowable and ineligible for reimbursement.

Cause: IRD personnel explained that they became aware of the requirement in October of 2010 and immediately ran searches on vendors then doing business with IRD.

Recommendation: We recommend that IRD institute a policy to require the execution and documentation of EPLS searches prior to execution of a vendor contract to ensure that they do not conduct business with vendors who are otherwise prohibited from receiving federal funds.

(Continued)

Finding 2012-07: Ineligible Costs: Purchase of Alcohol

Non-Compliance

Criteria: In accordance with OMB Circular A-122, Attachment B, the costs of alcoholic beverages are unallowable.

Condition: One of 100 expenditures transactions tested for compliance included the reimbursement of alcoholic beverage. The \$99 charge was included within the cost of a group dinner which was reimbursed by USAID.

Questioned costs: \$99 in costs is questioned due to their being ineligible.

Effect: USAID reimbursed IRD for unallowed charges.

Cause: This was an oversight in the approval process. IRD is aware of the restriction on purchases of alcoholic beverages.

Recommendation: We recommend that IRD reimburse USAID for the \$99 in unallowable costs and continue with the established review process, but place additional scrutiny on group meals. We further recommend IRD work with USAID to determine the proper course of action to return the \$99 in questioned costs to USAID.

APPENDIX A - Views of Responsible Officials



International Relief & Development

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TRANSMITTED BY E-MAIL ONLY

May 31, 2013

Crowe Horwath, LLP
1325 G Street NW
Suite 500
Washington, D.C. 2005-3136

RE: Final Draft Report on Audit of Special Purpose Fund Accountability Statement –
Human Resources and Logistical Support Program

Ladies and Gentlemen,

Attached is International Relief and Development's Management comments on the findings contained in the referenced report.

We would like to express our appreciation to Crowe Horwath for the professional manner in which the audit was conducted.

Please let me know if you have any questions regarding the attached comments or if you need additional information.

Sincerely,

Elsie M. Tama
Chief Financial Officer

International Relief and Development, Inc. (IRD) is a non-profit organization specializing in international development and humanitarian assistance.

**International Relief and Development
Management Response
HRLS II Draft Audit Report**

Finding 2012-01: Cash Management – Frequency of Invoice Submission

IRD's Management Response - IRD Management agrees with this finding. Subsequent changes in the invoice preparation process preclude the submission of invoices more frequently than specified in the various contracts/grants/cooperative agreements being implemented by IRD. Irrespective of the changes in the invoicing process, there may be an occasional invoice that is submitted less than 30 days prior to the last invoice by a few days. However, this would be a rare occurrence and only when there were unanticipated issues which delayed issuance of the prior invoice.

IRD does not agree that the effect of invoicing more frequently than once a month puts more administrative burden on the Government. The number of invoices submitted is the same, regardless of the frequency of submission. Further, delays in issuing invoices cause this compliance matter, which in turn resulted in the Government being able to hold its funds longer than would otherwise have been the case.

Finding 2012-02: Cash Management – Contractors Not Paid Within Thirty days of Invoicing USAID

IRD Management Response - IRD does not fully agree with this finding. IRD Management concurs that on the occasions identified there were delays in paying the suppliers. However, three of the nine occurrences were only five days, which we consider immaterial. The other six occurrences were due to IRD's requirements that all contractor invoices be in compliance with the terms of the contract and fully supported. Where there were issues with the supporting documents, IRD withheld payment until the contractor corrected the problem. IRD Management believes that this is exercising good stewardship over the Government's funds.

Finding 2012-03: Allowable Costs – Reimbursement for Unpaid Costs

IRD Management Response – IRD does not concur with this finding. Subsequent to the completion of the field audit work, we were able to locate the evidence that the invoices were paid. The payment for the four invoices was made Voucher Number AE1002/39 by Check Number 113659 dated 2/22/2010 and received by Global Strategies March 1, 2010. The actual net payment was \$46,917 after deduction of \$416.80 for unsupported costs claimed by Global Strategies. Copies of supporting documents are enclosed as Attachment A.

Finding 2012-04: Procurement and Suspension and Debarment: Lack of Fully Executed Contracts

IRD Management Response - IRD Management does not concur with the auditor's finding. We will address each contract separately as follows:

Global Strategies – IRD requested and received USAID Contracting Officer (CO) consent to execute the contract on April 25, 2007 (Attachment B). Also, see Attachment C for an additional CO consent to increase the total costs of the contract. However, following receipt of the original consent letter there was an unexplained delay in executing the contract. When this was discovered, IRD issued a Letter of Authorization to Global Strategies dated January 14, 2008, authorizing pre-award costs of up to \$1 million pending finalization of the contract document (see Attachment D). Following issuance of the Letter of Authorization, negotiations occurred between IRD and Global Strategies. Following these negotiations, the contract with a period of performance from May 30, 2007 through April 30, 2011 was signed by authorized representatives of both IRD and Global Strategies (see Attachment E - contract cover sheet with period of performance and signature). While there were significant delays in executing the contract, the period covered by the questioned costs is in fact included in the performance period of the signed contract with an effective date of May 1, 2007. The questioned cost of \$1,357,617 is fully supported and allowable.

Hill International – IRD and Hill International were not able to reach agreement on the terms of a contract for providing staff to work on the HRLS II project. Accordingly, both parties decided to end the relationship. IRD paid Hill for services rendered. So far we have been unable to locate the signed agreement to end the relationship. We will continue to search our archives to locate the documentation.

Multinet - While we have been unable to locate the original service contract with Multinet, the fact that we provided an amendment to the contract signed by both parties is adequate evidence that the original contract dated May 12, 2009 was in fact executed. Accordingly, the \$12,108 paid to Multinet is supported and allowable.

Finding 2012-05: Allowable Costs: Inadequate and Unproduced Supporting Documentation

IRD Management Response – IRD concurs with the finding as follows:

Voucher CE0706/026 (\$339.39) - The supporting document does not contain confirmation that the supplier received payment. Even though IRD is sure it did since the product was received. We have contacted the supplier to obtain confirmation that payment was received.

Voucher CE0904/42 (\$611.56) – The supporting document does not contain confirmation that the supplier received the payment, even though IRD is sure it did because the work was completed. We have contacted the supplier to obtain confirmation that payment was received.

Voucher BE0812/8 (\$562.00) – IRD agrees that the costs are not chargeable to the award and should have been covered out of IRD's own resources. IRD will work with USAID to return the \$562 to the Government.

Finding 2012-06: Reporting: Quarterly Financial Report

IRD Management Response – IRD Management does not concur with this finding. IRD provided the auditor with confirmation from the USAID Contracting Officer Representative that all reports required under the Task Order had been received from IRD. Further, while Section A.4.6 of the Task Order required submission of quarterly program and financial reports, USAID never defined the requirements for a separate Quarterly Financial Report. All Quarterly Program reports were submitted in accordance with the requirements defined by USAID. Therefore, IRD Management does not agree with this finding or with it being classified as a significant non-compliance deficiency.

Finding 2012-07: Procurement and Suspension and Debarment: EPLS Search

IRD Management Response - IRD Management concurs with this finding. Please note that IRD has in place a policy to require the execution and documentation of SAM (EPLS replacement system) searches which is followed for all IRD procurements. However, in the case of the HRLS II project, the project staff responsible for procurement was not made aware of the policy in a timely manner. IRD has put in place a process of sending out periodic compliance reminders for SAM and other compliance matters. Further, as regards the HRLS II project, none of the vendors doing business with IRD were found to be listed as an excluded party.

Finding 2012-08: Allowable Costs: Purchase of Alcohol

IRD Management Response – IRD management concurs with this finding. Please note that the charges in question were four lines on a single receipt included in about 75 pages of receipts attached to the supporting documents. Therefore, when processing the voucher, staff failed to identify that the receipt included unallowed items. IRD will work with USAID to return the \$99 to the Government.

APPENDIX B – Auditor’s Rebuttal

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

May 31, 2013

Crowe Horwath LLP, in consideration of the views presented by the management of International Relief and Development ("IRD") presents the following rebuttal to certain matters presented by the auditee. In those instances where management's response did not provide new information and support to modify the facts and circumstances that resulted in the initial finding, we have not provided a response.

Finding 2012-02

Crowe Horwath agrees that the additional review and scrutiny of vendor costs is a component of IRD's control structure as evaluated during the audit and reflects upon IRD's stewardship of Federal funds. The regulations cited within the finding, however, require that certain costs be paid within thirty days following submission of the invoice to USAID in order to be reimbursable. Due to the identified charges having been paid greater than thirty days after the reimbursement request was submitted, the finding stands.

Finding 2012-04

Crowe Horwath has considered management's comments and reviewed the requirements presented within OMB Circular A-122 regarding professional services. The Circular includes the following clause as a consideration for the allowability of professional services costs:

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

In the absence of executed contracts governing services rendered during the periods in question, we could not determine if the contracts were adequate and the services were in alignment with the agreements. Thus, we have not cleared the finding.

We were provided with a copy of the Strategic Security Solutions International (SSSI) contract and consider it to be adequate support for the services rendered. We have modified the finding and questioned costs accordingly.

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). 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
- Email: 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
- Phone DSN International: 312-664-0378
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Public Affairs

Public Affairs Officer

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