

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 14-93 Financial Audit

USAID's Partnership for Advancing Community Based Education in Afghanistan: Audit of Costs Incurred by CARE International



**AUGUST
2014**

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On April 10, 2006, the U.S. Agency for International Development entered into cooperative agreement number 306-A-00-06-00518 with CARE International (CARE) to implement the Partnership for Advancing Community Based Education in Afghanistan. The program was intended to expand community-based education by enhancing supporting structures and processes, improving quality, and developing cooperation between community-based education and Afghanistan Ministry of Education schools.

SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe Horwath), reviewed \$30,973,141 in expenses incurred between April 10, 2006, and August 31, 2011. Crowe Horwath's objectives were to (1) identify and report on significant deficiencies or material weaknesses in CARE's internal controls related to this cooperative agreement; (2) identify and report on instances of material noncompliance with the terms of the award and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether CARE has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of CARE's Special Purpose Financial Statement. See Crowe Horwath's report for more details on the audit objectives.

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

August 2014

USAID's Partnership for Advancing Community Based Education in Afghanistan: Audit of Costs Incurred by CARE International

SIGAR 14-93-FA

WHAT THE AUDIT FOUND

Crowe Horwath LLP (Crowe Horwath) did not identify any internal control deficiencies or instances of noncompliance with applicable laws, rules, regulations, and the terms and conditions of the cooperative agreement in its audit of costs incurred by CARE International (CARE) under the Partnership for Advancing Community Based Education in Afghanistan program.

As part of the audit, Crowe Horwath requested that CARE and the U.S. Agency for International Development provide prior audit reports and other assessments related to the Partnership for Advancing Community Based Education project.

Crowe Horwath identified three findings from prior audits relating to CARE's contracting, CARE's monitoring of subrecipients of cooperative agreement funds, and the proper allocation of shared costs. However, Crowe Horwath determined that CARE took adequate corrective action on all of them.

In Crowe Horwath's opinion, CARE's Special Purpose Financial Statement presented fairly in all material respects, revenues received, costs incurred, and the balance for the indicated period in accordance with requirements established by SIGAR.

Crowe Horwath did not identify any ineligible costs (costs prohibited by the contract, applicable laws, or regulations) or unsupported costs (costs not supported by sufficient documentation to allow Crowe Horwath to determine their accuracy and allowability).

Category	Questioned Costs Total	Ineligible	Unsupported
Costs Incurred	\$0	\$0	\$0
Total	\$0	\$0	\$0

WHAT SIGAR RECOMMENDS

Crowe Horwath did not report any findings related to the Partnership for Advancing Community Based Education in Afghanistan program. Therefore, SIGAR has no recommendations related to this audit.



SIGAR

**Office of the Special Inspector General
for Afghanistan Reconstruction**

August 27, 2014

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

Mr. William Hammink
Mission Director for Afghanistan
U.S. Agency for International Development

This letter transmits the results of our audit of costs incurred by CARE International under a U.S. Agency for International Development cooperative agreement to provide support for the Partnership for Advancing Community Base Education program.¹ The audit, performed by Crowe Horwath LLP, covered the period April 10, 2006, through August 31, 2011, and expenditures of \$30,973,141. Crowe Horwath did not report any findings related to internal control deficiencies or instances of noncompliance related to this audit. Therefore, SIGAR has no recommendations related to this audit.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-029)

¹ USAID cooperative agreement number 306-A-00-06-00518.



CARE International
Special Purpose Financial Statement
Partnership for Advancing Community Based Education in Afghanistan
For the Period April 10, 2006, through August 31, 2011
(With Independent Auditor's Report Thereon)

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**Crowe Horwath LLP**

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Transmittal Letter

July 11, 2014

To the Board of Directors of CARE International in Afghanistan
Shar e Naw, Haji Yaqoob Square
Kabul, Afghanistan

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 draft report regarding the procedures that we have completed during the course of our audit of CARE International's ("CARE") cooperative agreement with the United States Agency for International Development ("USAID") funding the Partnership for Advancing Community Based Education in Afghanistan ("PACE-A") project.

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 Financial Statement, report on internal control, and report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our draft report, we considered comments, feedback, and interpretations of CARE International, the Office of the Special Inspector General for Afghanistan Reconstruction, and USAID provided both in writing and orally throughout the audit planning and fieldwork phases.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of CARE International's PACE-A project.

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Weber".

John Weber, CPA, Partner
Crowe Horwath LLP



www.crowehorwath.com

Summary

Background

CARE International ("CARE") entered into a cooperative agreement with the United States Agency for International Development ("USAID") to provide access for marginalized communities and their children to quality education. This included the objectives to: expand access to community-based education; strengthen community structures and processes that support education; strengthen the quality of education; build the long-term capacity of civil society organizations to support community based education; and develop modes of cooperation between community-based and Ministry of Education (MoE) schools and promote MoE recognition and support of community based education. The project was titled the Partnership for Advancing Community Based Education in Afghanistan ("PACE-A") and, was funded by cooperative agreement number 306-A-00-06-00518, which incorporated a ceiling of \$31,084,282. The agreement's initial period of performance began on April 10, 2006, and had an estimated completion date of April 09, 2011. Through subsequent modifications, the period of performance was extended through August 31, 2011 and the ceiling was reduced to \$30,973,141.

Throughout the project's period of performance CARE collaborated with numerous implementing partners, grantees, subcontractors, and USAID to execute upon the scope of work identified in the cooperative agreement. As reported in CARE's final report on the PACE-A project, results (unaudited by Crowe) included, but were not limited to:

- Providing primary education to 88,830 students;
- Providing adult literacy education to 13,486 individuals;
- Training 3,186 primary grade teachers; and
- Training 552 adult literacy teachers.

The project was formally closed upon execution of modification number 14 dated November 12, 2013.

Work Performed

Crowe Horwath LLP ("Crowe") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a financial audit of CARE's PACE-A project.

Objectives Defined by SIGAR

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

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether the Special Purpose Financial Statement for agreement 306-A-00-06-00518 presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government and balance for the period audited in conformity with the terms of the award and accounting principles generally accepted in the United States of America or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

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



Audit Objective 3 – Compliance

Perform tests to determine whether CARE 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 4 – Corrective Action on Prior Findings and Recommendations

Determine and report on whether CARE has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the special purpose financial statement.

Scope

The scope of the audit included the period April 10, 2006, through August 31, 2011, for the PACE-A project. The audit was limited to those matters and procedures pertinent to the cooperative agreement that have a direct and material effect on the Special Purpose Financial Statement (“SPFS”) and evaluation of the presentation, content, and underlying records of the SPFS. The audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS 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;
- Equipment and Property Management;
- Matching
- Period of Availability of Federal Funds;
- Subrecipient Monitoring
- Procurement; and
- Reporting

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the auditee’s internal controls over compliance and financial reporting, and determined if adequate corrective action was taken in response to prior audit, assessment, and findings and review comments, as applicable.

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded in accordance with the basis of accounting identified by the auditee; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were charged to the appropriate budgetary accounts; and were adequately supported.

With regard to Audit Objective 2 regarding internal control, Crowe requested and 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 CARE. The system of internal control is intended to provide reasonable assurance of achieving reliable financial and performance reporting and compliance with applicable laws and regulations. Crowe

corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 requires that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the cooperative agreement. Crowe identified – through review and evaluation of the cooperative agreement by and between CARE and USAID, the Federal Acquisition Regulation ("FAR") and the USAID Acquisition Regulation ("AIDAR") – the criteria against which to test the SPFS and supporting financial records and documentation. Using sampling techniques, Crowe selected expenditures, vouchers submitted to USAID for payment, procurements, property and equipment dispositions, grants issued under the cooperative agreement and corresponding costs incurred, and project reports for audit. Supporting documentation was provided by the auditee and subsequently evaluated to assess CARE's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the negotiated indirect cost rate agreements ("NICRA") and associated contract restrictions, and if adjustments were made, as required and applicable.

Regarding Audit Objective 4, Crowe inquired of both CARE and USAID regarding prior audits and reviews to obtain an understanding of the nature of audit reports and other assessments that were completed and the required corrective action. There were prior audits, assessments, or reviews conducted over CARE's implementation of the PACE-A project.

Due to the location and nature of the project work and certain vendors and individuals who supported the project still residing in Afghanistan, certain audit procedures were performed on-site in Afghanistan, as deemed necessary.

Summary of Results

Crowe issued an unmodified opinion on the SPFS.

Crowe reported on both CARE's compliance with the applicable laws, rules, regulations, and the terms and conditions of the cooperative agreement and the internal controls over compliance.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to CARE's financial performance under the cooperative agreement. Per communications with CARE and USAID, there were several OMB Circular A-133 audits conducted that pertained to CARE's implementation of the project and that are direct and material to the Special Purpose Financial Statement. Crowe, therefore, conducted follow-up on corrective action pertaining to these reports.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the Board of Directors of CARE International in Afghanistan
Shar e Naw, Haji Yaqoob Square
Kabul, Afghanistan

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

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement ("the Statement") of CARE International ("CARE"), and related notes to the Statement, for the period April 10, 2006, through August 31, 2011, with respect to the Partnership for Advancing Community Based Education funded by cooperative agreement 306-A-00-06-00518.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") in Appendix V of Solicitation ID05130083 ("the Contract"). Management is also responsible for 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 Financial 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.

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

(Continued)

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, revenues received, costs incurred, and balance for the indicated period in accordance with the requirements established by the Office of the Special Inspector General for Afghanistan Reconstruction in Appendix V of the Contract and on the basis of accounting described in Note 1.

Basis of Presentation

We draw attention to Note 1 to the Statement, which describes the basis of presentation. The Statement was prepared by CARE in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction in Appendix V of the Contract and presents those expenditures as permitted under the terms of contract number 306-A-00-06-00518, which is a basis accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Contract referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of CARE International, the United States Agency for International Development, and the Office of 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated July 11, 2014, on our consideration of CARE's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 CARE's internal control over financial reporting and compliance.



Crowe Horwath LLP

July 11, 2014
Washington, D.C.

CARE International
Special Purpose Financial Statement
Cooperative Agreement Number 306-A-00-06-00518
For the Period April 10, 2006, through August 31, 2011

	Questioned Costs				
	Budget	Actual	Ineligible	Unsupported	Notes
Revenues					
USAID - 306-A-00-06-00518-00	30,973,041	30,973,041			
Total Revenue	30,973,041	30,973,041			
Costs Incurred					
Personnel	5,260,046	5,260,046			
Fringe Benefits	2,540,512	2,540,512			
Travel	204,343	204,343			
Equipment	214,623	214,623			
Supplies	1,764,846	1,764,846			
Contractual	15,962,952	15,962,952			
Other Direct Cost	2,130,616	2,130,616			
Indirect Cost	2,895,103	2,895,103			
Total Costs Incurred	30,973,041	30,973,041			
Fund Balance	0	0			

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

CARE International in Afghanistan
Notes to the Special Purpose Financial Statement
For the Period April 10, 2006, through August 31, 2011

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Agreement Number 306-A-00-06-00518-00 for the Partnership for Community Based Education in Afghanistan (PACE-A) for the period April 10, 2006, through August 31, 2011. Because the Statement presents only a selected portion of the operations of the CARE International in Afghanistan, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CARE International in Afghanistan. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal award. 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 accompanying Fund Accountability Statement are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*.

Note 3. Foreign Currency Conversion Method

Revenue and expenses are translated into U.S. dollars at the actual conversion rate in effect at the time U.S. dollars are converted into Afghani. The rate remains in effect until the next conversion.

Note 4. Revenues

CARE recognizes revenue when funds are expended. Therefore, revenues are set equal to the total expenses of \$30,973,041. CARE's total cash received from USAID is \$30,973,041, which is equal to the total expenditures.

Note 5. Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final, USAID-approved agreement budget adopted as a component of the modification number 14 to the contract dated November 12, 2013.

Note 6. 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 contract 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 7. Currency

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

(Continued)

Note 8. Matching or Cost Share Expenditures (Exclude if not applicable)

CARE International in Afghanistan has a cost share requirement of \$7,134,625. The total value of costs incurred or in-kind contributions received during the period was \$7,167,765. Matching costs are not reflected in the Statement.

Note 9. Subrecipients

Following are the names of subrecipients and costs incurred for each subrecipient during the period.

International Rescue Committee (IRC)	\$7,614,427
Catholic Relief Services (CRS)	\$2,807,171
Aga Khan Foundation (AKF)	\$3,988,118
Save The Children - UK (SC-UK)	\$602,448
Social Volunteers Foundation (SVF)	\$905,349
Education & Aid Center (EAC)	\$45,439

Note 10. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the period April 10, 2006, through August 31, 2011, period of performance. Management has performed their analysis through July 11, 2014.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors of CARE International in Afghanistan
Shar e Naw, Haji Yaqoob Square
Kabul, Afghanistan

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

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 Special Purpose Financial Statement ("the Statement") of CARE International ("CARE"), and related notes to the Statement, for the period April 10, 2006, through August 31, 2011, with respect to the Partnership for Advancing Community Based Education in Afghanistan funded by cooperative agreement number 306-A-00-06-00518. We have issued our report thereon dated July 11, 2014.

Internal Control over Financial Reporting

CARE'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 contract; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Note 1 to the 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 April 10, 2006, through August 31, 2011, we considered CARE's internal controls to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of CARE's internal control. Accordingly, we do not express an opinion on the effectiveness of CARE'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 Statement 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 second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of CARE International, the United States Agency for International Development, and the Office of 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

July 11, 2014
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors of CARE International in Afghanistan
Shar e Naw, Haji Yaqoob Square
Kabul, Afghanistan

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

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 of the United States, the Special Purpose Financial Statement ("the Statement") of CARE International ("CARE"), and related notes to the Statement, for the period April 10, 2006, through August 31, 2011, with respect to the Partnership for Advancing Community Based Education in Afghanistan funded by cooperative agreement number 306-A-00-06-00518. We have issued our report thereon dated July 11, 2014.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the contract is the responsibility of the management of CARE International.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of CARE International, the United States Agency for International Development, and the Office of 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 black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

July 11, 2014
Washington, D.C.

SECTION 1: Summary Schedule of Prior Audit, Review, and Assessment Findings

Cooperative Agreement number 306-A-00-06-00518 funding the PACE-A project was included within the scope of the audits conducted in accordance with OMB Circular A-133 for the fiscal years ended June 30, 2007 through fiscal years ended June 30, 2012. The audit reports included three findings relevant to the PACE-A project and that could have a direct and material effect on the Fund Accountability Statement. These findings and associated corrective action are summarized below:

Finding 2011-11

Issue: CARE did not include all of the provisions as required under 22 CFR 226 Appendix A in procurement contracts.

Status: We reviewed CAREs standard award template and these requirements are now included as part of the standard agreements. This matter is considered to be resolved and is not repeated in the audit report.

Finding 2011-15

Issue: CARE had not followed up on corrective actions taken for three monitoring deficiencies noted during reviews of subrecipients.

Status: We tested CAREs monitoring procedures and found CARE followed up on deficiencies noted during reviews. This matter is considered to be resolved and is not repeated in the audit report.

Finding 2010-07

Issue: CARE had questioned costs in the amount of \$31,131 related to shared costs not properly allocated.

Status: CARE remitted the questioned cost to USAID for the shared cost pool allocation. This matter is considered to be resolved and is not repeated in the audit report.

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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