

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 17-35 Financial Audit**

## USAID's Kandahar Food Zone Program: Audit of Costs Incurred by International Relief and Development Inc.

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



APRIL  
2017

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On July 31, 2013, the U.S. Agency for International Development (USAID) awarded a \$19,695,804 cooperative agreement to International Relief and Development Inc. (IRD) to support the Kandahar Food Zone Program. The program was designed to help rural farmers in Kandahar province earn legitimate income by identifying and addressing the root causes and sources of instability that lead to opium poppy cultivation. After 15 modifications, the agreement's cost increased to \$45,402,467. The period of performance also increased by more than 3 years, with the completion date changing from July 31, 2015, to August 30, 2018.

SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed \$20,402,910 in expenditures charged to the cooperative agreement from January 1, 2015, through September 30, 2016. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in IRD's internal controls related to the cooperative agreement; (2) identify and report on instances of material noncompliance with the terms of the cooperative agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether IRD has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of IRD's Special Purpose Financial Statement. See MHM's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, SIGAR is required by auditing standards to review the audit work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances where MHM did not comply, in all material respects, with U.S. generally accepted government auditing standards.

April 2017

## USAID's Kandahar Food Zone Program: Audit of Costs Incurred by International Relief and Development Inc.

SIGAR 17-35-FA

### WHAT THE AUDIT FOUND

MHM did not identify any material weaknesses or significant deficiencies in IRD's internal controls, or any instances of noncompliance with the terms and conditions of IRD's cooperative agreement. Accordingly, MHM did not identify any questioned costs, which could have consisted of unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—and ineligible costs—costs prohibited by the cooperative agreement, applicable laws, or regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Cost Incurred	\$0	\$0	\$0
<b>Totals</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

MHM identified 11 findings and recommendations from two prior engagements that were pertinent to IRD's performance under the agreement, and determined that IRD had taken adequate corrective action on all 11.

MHM issued an unmodified opinion on IRD's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, revenues received, costs incurred, and the balance for the period audited.

### WHAT SIGAR RECOMMENDS

MHM did not report any findings related to the Kandahar Food Zone Program. Therefore, SIGAR is not making any recommendations to USAID.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

April 10, 2017

Mr. Wade Warren  
Acting Administrator, U.S. Agency for International Development

Mr. Herbert B. Smith  
USAID Mission Director for Afghanistan

We contracted with Mayer Hoffman McCann (MHM) to audit the costs incurred by International Relief and Development Inc. (IRD) under a U.S. Agency for International Development (USAID) cooperative agreement to support the Kandahar Food Zone Program.<sup>1</sup> MHM's audit covered \$20,402,910 in expenditures charged to the agreement from January 1, 2015, through September 30, 2016. Our contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

MHM did not report any findings related to the Kandahar Food Zone Program. Therefore, SIGAR is not making any recommendations to USAID.

The results of MHM's audit are in the attached report. We reviewed MHM's report and related documentation. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on IRD's Special Purpose Financial Statement. We also express no opinion on the effectiveness of IRD's internal controls or compliance with grant agreement, laws, and regulations. MHM is responsible for the attached auditor's report and the conclusions expressed in the report. However, our review disclosed no instances where MHM did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-096)

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<sup>1</sup> USAID awarded cooperative agreement no. AID-306-A-13-00008 to IRD to implement the Kandahar Food Zone Program. The program was designed to help rural farmers in Kandahar province earn legitimate income by identifying and addressing the root causes and sources of instability that lead to opium poppy cultivation.

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
Kandahar Food Zone (KFZ) Program

For the Period January 1, 2015 through September 30, 2016

# INTERNATIONAL RELIEF AND DEVELOPMENT, INC.

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

For the Period January 1, 2015 through September 30, 2016

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**Mayer Hoffman McCann P.C.**  
An Independent CPA Firm

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Main: 949.474.2020 ■ Fax: 949.263.5520 ■ www.mhmcpa.com

March 17, 2017

Enclosed is the final report on the financial audit of costs incurred under Cooperative Agreement No. AID-306-A-13-00008 ("Cooperative Agreement"), awarded by the United States Agency for International Development ("USAID") to International Relief and Development, Inc. ("IRD") for implementation of the Kandahar Food Zone ("KFZ") program. The audit covers the period January 1, 2015 through September 30, 2016.

The following items are included in the report:

- Summary
- Independent Auditor's Report on Special Purpose Financial Statement
- Special Purpose Financial Statement
- Notes to Special Purpose Financial Statement
- Report on Internal Control Over Financial Reporting Based on an Audit of the Special Purpose Financial Statement Performed in Accordance with *Government Auditing Standards*
- Report on Compliance and Other Matters Based on an Audit of the Special Purpose Financial Statement Performed in Accordance with *Government Auditing Standards*
- Status of Prior Findings
- Detailed Audit Findings

Sincerely,

Mayer Hoffman McCann P.C.

A handwritten signature in blue ink, appearing to read 'Marcus D. Davis', is written over a horizontal line.

Marcus D. Davis, CPA  
Shareholder

# INTERNATIONAL RELIEF AND DEVELOPMENT, INC.

## Financial Audit of Costs Incurred Under Cooperative Agreement No. AID-306-A-13-00008 KFZ Program

For the Period January 1, 2015 through September 30, 2016

### **Background**

On July 31, 2013, the United States Agency for International Development (“USAID”) awarded Cooperative Agreement No. AID-306-A-13-00008 (“Cooperative Agreement”) to International Relief and Development, Inc. (“IRD” or “Company”) for implementation of the Kandahar Food Zone (“KFZ”) Program to strengthen and diversify rural licit livelihoods by identifying and addressing the root causes and sources of instability that lead to opium poppy cultivation. The Cooperative Agreement is on a cost reimbursement and cost sharing basis, and was in the original amount of \$19,695,804 plus \$4,494,100 in cost sharing. The Cooperative Agreement was awarded with an original period of performance of July 31, 2013 through July 30, 2015. The Cooperative Agreement was modified 15 times through August 30, 2016 for reasons such as modifying clauses, increasing obligated amounts to support incremental program funding, modifying the total award amount and non-Federal matching funds requirements, realignment of budget cost category amounts, as well as extending the period of performance to August 30, 2018. With the modifications, the full period of performance is from July 31, 2013 through August 30, 2018. Some of the more significant modifications that had an impact on the original Contract are described below:

<u>Modification No.</u>	<u>Effective Date</u>	<u>Significance</u>
3	3/23/14	Descoped a subcomponent of the program regarding an increase in the Ministry of Counter Narcotics’ (“MCN’s”) capacity to receive on-budget assistance. Decreased the total award by \$1,000,000 to \$18,695,804, and decreased the cost sharing requirement by \$40,253 to \$4,453,847.
9	6/30/15	Extended the period of performance to August 30, 2015.
10	8/18/15	Increased the total award by \$8,999,984 to \$27,695,788. Extended the period of performance to August 30, 2016.
15	8/30/16	Increased the total award by \$17,706,679 to \$45,402,467, and increased the cost sharing requirement by \$40,253 to \$4,494,100. Extended the period of performance to August 30, 2018.

The purpose of the KFZ Program is to help rural farmers in Kandahar province earn legitimate income by identifying and addressing the root causes and sources of instability that lead to opium poppy cultivation. It was originally envisioned that the KFZ Program would fund a broader infrastructure portfolio, including bridge construction and bazaar construction. However, based upon consultations with the target communities, the focus of activities changed as grievances revealed a very strong causal link between limited access to water for irrigation and opium poppy cultivation. As a result, the focus shifted to supporting infrastructure interventions related to the rehabilitation of the Arghandab canal system in Kandahar’s western districts, which have historically produced large amounts of opium and where the irrigation system has been severely damaged by conflict and the breakdown of traditional rehabilitation mechanisms.

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

For the Period January 1, 2015 through September 30, 2016

IRD, a U.S. company, was founded in 1998 and is based in Arlington, Virginia. The Company is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. IRD delivers innovative, evidence-based, locally-driven solutions that advance the aspirations of people, communities and donor partners worldwide. The Company's primary sources of financial support come from contracts, grants and cooperative agreements from the U.S. Government and multilateral donors. IRD also receives donations of in-kind humanitarian commodities and goods, as needed, to support its programs.

[REDACTED]

[REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

[REDACTED]

[REDACTED]

# **INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

For the Period January 1, 2015 through September 30, 2016

## **Work Performed**

Mayer Hoffman McCann P.C. (“MHM”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of IRD’s KFZ Program Special Purpose Financial Statement (“SPFS”) for the period January 1, 2015 through September 30, 2016.

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

### **Objectives Defined by SIGAR**

The objectives of the audit include the following:

- *Special Purpose Financial Statement (SPFS)* – Express an opinion as to whether IRD’s SPFS for the Cooperative Agreement 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 generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain a sufficient understanding of IRD’s internal control related to the Cooperative Agreement; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether IRD complied, in all material respects, with the Cooperative Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether IRD 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 or other financial data significant to the audit objectives.

### **Scope**

The scope of this audit included all costs incurred during the period January 1, 2015 through September 30, 2016 under the Cooperative Agreement. Our testing of fringe benefits and indirect costs was limited to determining that the fringe benefits and indirect costs were calculated using the correct final or provisional negotiated indirect cost rates, as applicable for the given fiscal year, as approved by USAID.

# INTERNATIONAL RELIEF AND DEVELOPMENT, INC.

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

For the Period January 1, 2015 through September 30, 2016

## **Methodology**

In order to accomplish the objectives of this audit, we designed our audit procedures to include the following:

### **Entrance Conference**

An entrance conference was held via conference call on October 26, 2016. Participants included representatives of MHM, IRD, SIGAR and USAID.

### **Planning**

During our planning phase, we performed the following:

- Obtained an understanding of IRD;
- Reviewed the Cooperative Agreement and all modifications;
- Reviewed regulations specific to USAID that are applicable to the Cooperative Agreement;
- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques. According to the approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports, and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high or medium to low risk for inclusion in our test of transactions. None of the populations were homogeneous in nature, thus statistical sampling was not used. All samples were selected on a judgmental basis. Our sampling methodology for judgmental samples was as follows:
  - For accounts that appear to contain unallowable and restricted items according to the terms of the Cooperative Agreement, 2 CFR Part 200, and any other applicable regulations, we will test 100% of the transactions.
  - For high risk cost categories, we sampled individual transactions greater than \$102,000, not to exceed 50% of the total amount expended for each cost category.
  - For medium risk cost categories, we sampled individual transactions greater than \$204,000, not to exceed 20% of the total amount expended for each cost category.
  - For low risk cost categories, we sampled individual transactions greater than \$204,000, not to exceed 10% of the total amount expended for each cost category, not to exceed 50 transactions in total for all accounts comprising low risk categories.

## **INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

### Financial Audit of Costs Incurred Under Cooperative Agreement No. AID-306-A-13-00008 KFZ Program

For the Period January 1, 2015 through September 30, 2016

If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Project Director as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

#### Internal Control Related to the SPFS

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

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

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

#### Corrective Action on Prior Findings and Recommendations

We requested all reports from previous engagements in order to evaluate the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

#### Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

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

#### Exit Conference

An exit conference was held on February 14, 2017 via conference call. Participants included representatives from MHM, IRD, SIGAR and USAID. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

# **INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

For the Period January 1, 2015 through September 30, 2016

## **Summary of Results**

Our audit of the costs incurred by IRD under the Cooperative Agreement with USAID identified the following audit results.

## **Auditor's Opinion on SPFS**

We issued an unmodified opinion on the fairness of the presentation of the SPFS. There were no findings or questioned costs identified as a result of the audit.

## **Summary of Findings and Questioned Costs**

There were no findings or questioned costs identified as a result of the audit.

## **Internal Control Findings**

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered IRD's internal control over financial reporting and performed tests of those controls. The results of our tests disclosed no instances of noncompliance related to this audit. See Independent Auditor's Report on Internal Control on page 14.

## **Compliance Findings**

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of its compliance with certain provisions of the Cooperative Agreement and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed no instances of noncompliance related to this audit. See Independent Auditor's Report on Compliance on page 16.

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

We requested copies of prior engagements including audits, reviews and evaluations pertinent to IRD's activities under the program. We reviewed the corrective actions taken to address findings and recommendations from prior engagements that could have a material effect on the SPFS. There were two prior engagements with findings and recommendations and internal investigations conducted by IRD that were included in the scope of our audit. The engagements and internal investigations identified 11 findings with a potential material effect on the SPFS and/or control deficiencies effect on the Cooperative Agreement. Based on our review, adequate corrective actions were implemented on 11 prior findings.

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

For the Period January 1, 2015 through September 30, 2016

See the Status of Prior Findings on page 18 for a detailed description of the prior findings and recommendations.

**Summary of IRD Responses to Findings**

There were no findings identified as a result of this audit. Therefore, IRD responses were not required.



## **INDEPENDENT AUDITOR’S REPORT ON SPECIAL PURPOSE FINANCIAL STATEMENT**

Board of Directors  
International Relief and Development, Inc.  
Arlington, Virginia

### **Report on the Special Purpose Financial Statement**

We have audited the accompanying Special Purpose Financial Statement of International Relief and Development, Inc. (“IRD”) under Cooperative Agreement No. AID-306-A-13-00008 (“Cooperative Agreement”), with the United States Agency for International Development (“USAID”) to support the Kandahar Food Zone (“KFZ”) Program for the period January 1, 2015 and September 30, 2016, and the related notes to the Special Purpose Financial Statement.

### ***Management’s Responsibility for the Special Purpose Financial Statement***

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

### ***Auditors’ Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the Special Purpose Financial Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 Special Purpose Financial Statement.

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

### ***Opinion***

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by IRD under the Cooperative Agreement for the period January 1, 2015 through September 30, 2016 in accordance with the basis of accounting described in Note 2.

### ***Restriction on Use***

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, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 17, 2017 on our consideration of IRD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IRD's internal control over financial reporting and compliance.



Irvine, California  
March 17, 2017

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

Special Purpose Financial Statement

For the Period January 1, 2015 through September 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
AID-306-A-13-00008	<u>\$ 45,402,467</u>	<u>\$ 20,402,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(3)
Total revenues	<u>45,402,467</u>	<u>20,402,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Salaries and wages	██████████	██████████	-	-	-	
Fringe benefits	██████████	██████████	-	-	-	
Allowances	██████████	██████████	-	-	-	
Travel, transportation, and per diem	623,869	361,141	-	-	-	
Equipment and supplies	211,141	120,623	-	-	-	
Other direct costs	6,234,357	3,029,613	-	-	-	
Subgrantees/subcontracts	13,676,863	6,147,048	-	-	-	
Security	██████████	██████████	-	-	-	
Indirect costs	<u>6,617,297</u>	<u>2,695,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	(4)
Total costs incurred	<u>45,402,467</u>	<u>██████████</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(5)

See Notes to Special Purpose Financial Statement

# INTERNATIONAL RELIEF AND DEVELOPMENT, INC.

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

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

For the Period January 1, 2015 through September 30, 2016

## (1) **Background**

On July 31, 2013, the United States Agency for International Development (“USAID”) awarded Cooperative Agreement No. AID-306-A-13-00008 (“Cooperative Agreement”) to International Relief and Development, Inc. (“IRD”) for the implementation of the Kandahar Food Zone (“KFZ”) Program to strengthen and diversify rural licit livelihoods by identifying and addressing the root causes and sources of instability that lead to opium poppy cultivation.

The Cooperative Agreement is on a cost reimbursement and cost sharing basis, and was in the original amount of \$19,695,804 plus \$4,494,100 in cost sharing. The Cooperative Agreement was awarded with an original period of performance of July 31, 2013 through July 30, 2015. The Cooperative Agreement was modified 15 times through August 30, 2016 for reasons such as modifying clauses, increasing obligated amounts to support incremental program funding, modifying the total award amount and non-Federal matching funds requirements, realignment of budget cost category amounts, as well as extending the period of performance to August 30, 2018. With the modifications, the full period of performance is from July 31, 2013 through August 30, 2018.

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

### Basis of Presentation

The accompanying Special Purpose Financial Statement (“SPFS”) includes costs incurred for KFZ initiatives under the Cooperative Agreement for the period January 1, 2015 through September 30, 2016. Because the SPFS presents only a selected portion of the operations of IRD, it is not intended to and does not present the financial position, changes in financial position, or cash flows of IRD. The information in the SPFS 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 Cooperative Agreement.

### Basis of Accounting

Expenditures reported on the SPFS 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 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart E, *Cost Principles*.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of IRD.

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

Notes to Special Purpose Financial Statement

(Continued)

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

Currency

All amounts presented are shown in U.S. dollars, the reporting currency of IRD. IRD converts its expenses that were paid in Afghanis (local currency) into U.S. dollars (reporting currency) by applying the exchange rate of the bank at the time of currency conversion.

Budget

The budget categories presented and associated amounts reflect the budget line items included within the final, USAID-approved Cooperative Agreement budget. The budget represents the entire budget for the Cooperative Agreement. There was no specific budget for the period January 1, 2015 through September 30, 2016.

**(3) Revenue**

As of September 30, 2016, IRD has reported \$20,402,910 in revenue. This revenue equals the expenditures invoiced to USAID for the period January 1, 2015 through September 30, 2016.

**(4) Indirect Cost**

IRD's most recent negotiated indirect cost rates were approved on October 10, 2014, and the provisional indirect cost rates applicable for the period January 1, 2015 through August 31, 2016 were as follows.

<u>Type</u>	<u>Effective Period</u>		<u>Indirect Cost Rates</u>	
	<u>From</u>	<u>Through</u>	<u>Fringe (a)</u>	<u>Overhead (b)</u>
Provisional	1/1/14	Until Amended	██████	██████

The basis of allocation for the indirect costs is as follows:

- (a) Total regular labor costs paid from the United States
- (b) Total cost incurred excluding overhead, capital expenditures \$5,000 or more, project vehicle purchases, in-kind contribution of goods and services, and excess over \$25,000 for each subaward (regardless of the period covered by the subawards)

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

Notes to Special Purpose Financial Statement

(Continued)

**(5) Outstanding Fund Balance**

As of September 30, 2016, there was no outstanding fund balance under the Cooperative Agreement as the SPFS is prepared under the accrual basis of accounting described in Note 2.



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

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
International Relief and Development, Inc.  
Arlington, Virginia

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 of International Relief and Development, Inc. ("IRD") representing revenues received and costs incurred under Cooperative Agreement No. AID-306-A-13-00008 ("Cooperative Agreement"), with the United States Agency for International Development ("USAID") to support the Kandahar Food Zone ("KFZ") Program for the period January 1, 2015 through September 30, 2016, and the related Notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 17, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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

This report is intended for the information of International Relief and Development, Inc., the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.



Irvine, California  
March 17, 2017



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

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
International Relief and Development, Inc.  
Arlington, Virginia

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 of International Relief and Development, Inc. ("IRD"), representing revenues received and costs incurred under Cooperative Agreement No. AID-306-A-13-00008 ("Cooperative Agreement"), with the United States Agency for International Development ("USAID") to support the Kandahar Food Zone ("KFZ") Program for the period January 1, 2015 through September 30, 2016, and the related Notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 17, 2017.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether IRD's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Cooperative Agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. As we performed our testing, we considered whether the information obtained during our testing indicated the possibility of fraud or abuse. 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 internal control. Accordingly, this communication is not suitable for any other purpose.

Board of Directors  
International Relief and Development, Inc.  
Arlington, Virginia

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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, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Mayer Hoffman McCann P.C.*

Irvine, California  
March 17, 2017

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

Status of Prior Findings

For the Period January 1, 2015 through September 30, 2016

We requested copies of prior engagements including audits, reviews and evaluations pertinent to IRD's activities under the program. We reviewed the corrective actions taken to address findings and recommendations from prior engagements that could have a material effect on the SPFS. There were two prior engagements with findings and recommendations and internal investigations conducted by IRD that were included in the scope of our audit. The engagements and internal investigations identified 11 findings with a potential material effect on the SPFS and/or control deficiencies effect on the Cooperative Agreement. Based on our review, adequate corrective actions were implemented on 11 prior findings.

**USAID Office of Inspector General's ("OIG's") Audit Report No. F-306-16-010-N, Audit of Costs Incurred under the KFZ Program**

There was one finding identified in USAID OIG's Audit Report No. F-306-16-010N, which was performed by Davis and Associates. The period covered by the audit was July 31, 2013 through December 31, 2014. The finding related to a lack of documentation for costs incurred by a subcontractor. During our testing of costs charged to the KFZ Program, all transactions selected for testing were properly supported. As such, the correction action has been adequately implemented.

[REDACTED]

[REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

Status of Prior Audit Findings

(Continued)

[Redacted]

[Redacted]

[Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

Status of Prior Audit Findings

(Continued)

■ [REDACTED]

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. AID-306-A-13-00008  
KFZ Program

Detailed Audit Findings

For the Period January 1, 2015 through September 30, 2016

There were no findings as a result of this audit.

## SIGAR's Mission

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

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

## Obtaining Copies of SIGAR Reports and Testimonies

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

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

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

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
- Email: [sigar.pentagon.inv.mbx.hotline@mail.mil](mailto:sigar.pentagon.inv.mbx.hotline@mail.mil)
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## Public Affairs

Public Affairs Officer

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