

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 18-74 Financial Audit**

## USAID's Eastern Provinces Monitoring under the Monitoring Support Project: Audit of Costs Incurred by The QED Group LLC



SEPTEMBER  
2018

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On July 27, 2015, the U.S. Agency for International Development (USAID) awarded a \$29,080,209 cost-plus-fixed-fee task order to The QED Group LLC (QED) to implement Eastern Provinces Monitoring under the Monitoring Support Project (MSP). QED was to provide additional data on the MSP's implementation to help USAID Mission for Afghanistan's technical teams compare monitoring information and make management decisions on the project's performance. The period of performance was from July 27, 2015, to July 26, 2020, with a 3-year option period. USAID modified the task order three times, but did not change its amount or period of performance.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$5,861,322 in expenditures and fixed fees charged to the task order from July 27, 2015, through July 26, 2017. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in QED's internal controls related to the task order; (2) identify and report on instances of material noncompliance with the terms of the task order and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether QED has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of QED's Special Purpose Financial Statement (SPFS). See Crowe'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 Crowe did not comply, in all material respects, with U.S. generally accepted government auditing standards.

September 2018

## USAID's Eastern Provinces Monitoring under the Monitoring Support Project: Audit of Costs Incurred by The QED Group LLC

SIGAR 18-74-FA

### WHAT THE AUDIT FOUND

Crowe found one material weakness and two significant deficiencies in QED's internal controls, and four instances of noncompliance with the terms and conditions of the task order and applicable laws and regulations. For example, QED did not include the anti-kickback clause in subcontracts. This clause requires all subcontractors to maintain and implement anti-kickback procedures. In addition, Crowe questioned \$7,491 that QED charged USAID for a security deposit, which is not reimbursable according to the Federal Acquisition Regulations. Crowe also noted an instance in which QED's invoice to USAID had indirect cost rates that did not align with its indirect cost rate agreement with the agency. Therefore, Crowe questioned \$6,050. Last, Crowe identified two instances in which the labor rate QED charged exceeded the rate cap in the task order. Therefore, Crowe questioned \$864.

Because of these internal control deficiencies and instances of noncompliance, Crowe identified a total of \$14,405 in questioned costs, consisting entirely of ineligible costs—costs prohibited by the agreement, applicable laws, or regulations. Crowe did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Cost	\$8,355	\$0	<b>\$8,355</b>
Indirect Costs	\$6,050	\$0	<b>\$6,050</b>
<b>Total</b>	<b>\$14,405</b>	<b>\$0</b>	<b>\$14,405</b>

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to QED's financial performance under the task order. The auditors did not identify any audits, reviews, and evaluations that could be direct and material to this specific SPFS.

Crowe issued an unmodified opinion on QED's SPFS, noting that it presents fairly, in all material respects, revenues received, and costs incurred and reimbursed for period indicated.

### WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$14,405 in questioned costs identified in the report.**
- 2. Advise QED to address the report's three internal control findings.**
- 3. Advise QED to address the report's four noncompliance findings.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

September 12, 2018

The Honorable Mark Green  
USAID Administrator

Mr. Herbert B. Smith  
USAID Mission Director Afghanistan

We contracted with Crowe LLP (Crowe) to audit the costs incurred by The QED Group LLC (QED) under a U.S. Agency for International Development (USAID) task order to implement Eastern Provinces Monitoring under the Monitoring Support Project (MSP).<sup>1</sup> QED was to provide additional data on MSP's implementation that would help the USAID Mission for Afghanistan's technical teams compare monitoring information and make management decisions on the project's performance. Crowe reviewed \$5,861,322 in expenditures and fixed fees charged to the task order from July 27, 2015, through July 26, 2017. Our contract with Crowe required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$14,405 in questioned costs identified in the report.**
- 2. Advise QED to address the report's three internal control findings.**
- 3. Advise QED to address the report's four noncompliance findings.**

The results of Crowe's audit are discussed in detail in the attached report. We reviewed Crowe'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 QED's Special Purpose Financial Statement. We also express no opinion on the effectiveness of QED's internal control or compliance with the task order, laws, and regulations. Crowe is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances in which Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

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-121)

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<sup>1</sup> The task order number is AID-306-TO-15-00071, under contract number AID-306-I-15-00007.



**The QED Group, LLC**

**Special Purpose Financial Statement**

**Eastern Provinces Monitoring under the Monitoring Support Project**

**For the Period July 27, 2015 through July 26, 2017**

**(With Independent Auditor's Report Thereon)**

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**Crowe LLP**

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## TRANSMITTAL LETTER

August 17, 2018

Chairperson and Senior Management of The QED Group, LLC  
1820 Fort Myer Drive, #700  
Arlington, Virginia 22209

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of The QED Group LLC ("QED") contract number AID-306-I-15-00007, task order number AID-306-TO-15-00071, for the period July 27, 2015, through July 26, 2017.

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. Accordingly, we do not express an opinion on the summary and any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of QED, SIGAR, and the United States Agency for International Development provided both in writing and orally throughout the audit planning, fieldwork, and reporting phases. Management's response has been incorporated as an appendix to the final report.

Thank you for providing us the opportunity to work with you and to conduct the audit of The QED Group, LLC's contract task orders.

Sincerely,

A handwritten signature in black ink, appearing to read "Bert Nuehring".

Bert Nuehring, CPA, Partner  
Crowe LLP

# SUMMARY

## Background

The QED Group, LLC. (“QED”) was awarded a task order, Eastern Provinces Monitoring under the Monitoring Support Project, (“MSP”) under contract number AID-306-I-15-00007 by the United States Agency for International Development (“USAID”). The task order, number AID-306-TO-15-00071, was to provide additional data on project implementation, allowing technical teams to compare information from their own monitoring efforts with additional sources of monitoring data, and make evidence-based management decisions on the performance of their projects.

The task order was issued effective July 27, 2015, and included an initial project completion date of July 26, 2020. The task order was funded at the level of \$29,080,209, and included three option periods that the Government could elect to exercise. There were three modifications made to the task order, none of which impacted the period of performance or the total estimated cost plus fixed fee amount. The project has been completed as of July 26, 2017.

MSP supplements existing USAID/Afghanistan monitoring efforts and functions as a part of a multi-tiered approach to the verification and monitoring of USAID projects in eastern Afghanistan. Information gathered and reported by MSP is used by technical officers in the USAID Mission to inform their decision-making processes. QED partners with other MSP task order holders aim to collect data and provide third-party monitoring to USAID-funded projects throughout Afghanistan.

Throughout the project's period of performance, QED reported having accomplished the following key results (unaudited by Crowe LLP) as described in the final report for the task order AID-306-TO-15-00071:

- Completed a total of 1,080 monitoring and verification activities (“M&V”), including the observation of events and facilities, interviews with event participants, staff, and program beneficiaries, and the recording of stock and supplies.
- Monitoring activities were performed on 19 activities, one USAID Office of Health and Nutrition special initiative, and two conferences held in Kabul.
- Conducted three special monitoring projects AAEP Trainee Survey, HSR Trainee Survey, and USAID OHN Healthcare Beneficiary and Public Health Official Survey.

Project requirements as outlined in the task order number AID-306-TO-15-00071 and outlined below:

- Perform verification and monitoring activities of select outputs and outcomes for approximately 56 active projects across Afghanistan;
- Recommend to USAID any modification to the monitoring methods – which could enhance the verification and monitoring of the indicators outlined in the Statement of Work – and in executing the verification and monitoring activities;
- Propose to USAID additional innovative tools and approaches to achieve the “MSP” goal, including monitoring partners, Global Positioning Tracking (“GPS”) tracking, photography, satellite/aerial imagery analysis, surveys, data collection with mobile devices, and crowd sourcing;
- Build the capacity of local organizations to monitor projects including and provide an viable plan to assess the Afghan entities’ capacity in key technical areas for project monitoring; and
- Conduct environmental compliance monitoring by working with USAID and other task order holders under the MSP Indefinite Delivery Indefinite Quantity Contract (“IDIQ”) to identify a coordinated approach to verify the environmental compliance data provided by projects as well as providing basic training for field monitors in environmental compliance.

## Work Performed

Crowe LLP ("Crowe") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a financial audit of costs incurred by The QED Group LLC under contract number AID-306-I-15-00007, task order Numbers AID-306-TO-15-00071.

### 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 the task order 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 task order 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 QED's internal controls related to the task order; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

#### *Audit Objective 3 – Compliance*

Perform tests to determine whether QED complied, in all material respects, with the task order's requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the task order 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 the audited entity 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 the audit included the period July 27, 2015, through July 26, 2017. The period included expenditures totaling \$5,861,322. The audit was limited to those matters and procedures pertinent to the task order 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;
- 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; and were adequately supported.



With regard to Audit Objective 2 regarding internal control, Crowe requested and the auditee provided copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by QED. 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 task order. Crowe identified – through review and evaluation of the task order executed by and between QED and USAID, and the indefinite delivery indefinite quantity contract upon which the task order were issued – the criteria against which to test the SPFS and supporting financial records and documentation. Using sampling techniques, Crowe selected expenditures, payment requests submitted by QED to the Government, and procurements. Supporting documentation was provided by the auditee and subsequently evaluated to assess QED's compliance. Testing of indirect costs was limited to: 1) determining whether indirect costs were charged to the U.S. Government in accordance with the rate limitations established within the contract; 2) testing whether indirect costs charged to the contract were calculated in accordance with the provisions of the Negotiated Indirect Cost Rate Agreement ("NICRA"); and 3) determining whether QED adjusted any charges based on the provisional indirect cost rates incorporated within the NICRA following revision or finalization of the provisional rates.

Regarding Audit Objective 4, Crowe inquired of SIGAR, QED, and USAID regarding prior audits and reviews to obtain an understanding of the nature of audit reports and other assessments that were completed and that required corrective action. SIGAR, QED, and the USAID responded that there were no audits, reviews, or assessments pertinent to the task order under audit. Two prior audit reports were provided by QED and evaluated as part of the risk assessment process. Neither report was pertinent to the task order under audit. Therefore, the items were not considered to be direct and material to the SPFS or the financial objectives of the audit. Accordingly, no procedures to follow-up on prior audit recommendations and/or findings were required.

Due to the location and nature of the project work, certain vendors and individuals who supported the project still residing in Afghanistan, physical structures that were maintained under the awards, and assets purchased with the Federal funds still being physically located in-country, certain audit procedures were performed on-site in Afghanistan, as deemed necessary.

### **Summary of Results**

Upon completion of Crowe's procedures, Crowe issued an unmodified opinion on the Special Purpose Financial Statement.

With regard to matters on internal control and compliance, Crowe identified one material weakness, two significant deficiencies, four instances of noncompliance, and identified questioned costs of \$14,405. Questioned costs are summarized on the following page.

Other matters that did not meet the aforementioned criteria were communicated to QED within a management letter dated August 16, 2018.

Whereas there were no prior audits conducted with results that could be direct and material to the financial audit of the task order, follow-up on prior findings and recommendations was not required.

**Summary of Questioned Costs**

Finding	Finding	Questioned Costs
2018-01	Anti-Kickback Clause Improperly Excluded from Subcontracts	\$0
2018-02	Guard Equipment Deposit Improperly Submitted for Reimbursement	\$7,491
2018-03	Incorrect Indirect Rates Used and Failure to True-Up Indirect Costs	\$6,050
2018-04	Overbilling of Labor Costs	\$864
Total Questioned Costs:		\$14,405

**Summary of Management Comments**

Management concurred with findings 2018-01, 2018-02, and 2018-04. Management partially agreed with finding 2018-03 due to timing differences between invoices submitted to USAID and the dates that revised indirect cost rates were approved and subsequently applied by QED.

**References to Appendices**

The auditor's reports are supplemented by two appendices - **Appendix A** containing the Views of Responsible Officials and **Appendix B** containing the auditor's rebuttal.

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

Chairperson and Senior Management of The QED Group, LLC  
1820 Fort Myer Drive, #700  
Arlington, Virginia 22209

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 The QED Group, LLC ("QED"), and related notes to the Statement, as of July 26, 2017, and for the period July 27, 2015, through July 26, 2017, with respect to the Eastern Provinces Monitoring under the Monitoring Support Project, ("MSP") under contract number AID-306-I-15-00007, task order number AID-306-TO-15-00071.

***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 IV of Solicitation ID11140014 ("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.

## ***Opinion***

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues earned, 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 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 QED in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction and presents those expenditures as permitted under the terms of contract number AID-306-I-15-00007, Order Number AID-306-TO-15-00071, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the contract task order referred to above. Our opinion is not modified with respect to this matter.

## ***Restriction on Use***

This report is intended for the information of The QED Group, LLC, 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 August 16, 2018, on our consideration of QED'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 QED's internal control over financial reporting and compliance.

*Crowe LLP*

Crowe LLP

August 16, 2018  
Washington, D.C.

**The QED Group LLC**  
**Special Purpose Financial Statement**  
**Contract No. AID-306-I-15-00007, Task Order No. AID-306-TO-15-00071**  
**For the Period July 27, 2015, through July 26, 2017**

	Questioned Costs				
	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Notes</u>
<b>Revenues</b>					
Contract No. AID-306-I-15-00007 Task Order No. AID-306-TO-15-00071	\$ 29,080,209	\$ 5,861,322			
<b>Total Revenue</b>	\$ 29,080,209	\$ 5,861,322			4, 5
<b>Costs Incurred</b>					
Direct Costs	\$ 20,800,447	\$ 3,062,664	\$ 8,355		2, 6
Security	3,067,009	1,273,314	-		A, C
Indirect Costs	<u>3,875,817</u>	<u>1,119,897</u>	<u>6,050</u>		B
<b>Total Costs Incurred</b>	\$ 27,743,273	\$ 5,455,875	\$ 14,405		
<b>Fixed Fee</b>	\$ 1,336,936	\$ 405,447	\$ -		
<b>Balance</b>	<u>\$ -</u>	<u>\$ -</u>			7

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

**The QED Group LLC**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT**  
**For the Period July 27, 2015 through July 26, 2017**

**Note 1. Basis of Presentation**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Contract Number AID-306-I-15-00007, Order AID-306-TO-15-00071 for the Eastern Provinces Monitoring under the Monitoring Support Project for the period July 27, 2015, through July 26, 2017.

Because the Statement presents only a selected portion of the operations of The QED Group LLC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of QED Group LLC. 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 Statement are reported on accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 48 CFR Part 31.2, 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 Statement, conversions from local currency to United States dollars were required. The Foreign Currency Conversion Rate applied on a monthly basis is the Weighted Exchange Rate used in the report submitted by the Field-OSCAR (Overseas Cash Accountability Report). The Weighted Exchange rate is calculated as an average of the Official Opening Exchange rate and Official Closing Exchange rate as provided by the Federal Bank/Reserve Bank of the country or and the rates at which the money is exchanged every time in the Field Office as per the requirement in a particular month. The Weighted average Exchange Rate as calculated is applied on the expenses of the month and entered into the Deltek.

**Note 4. Revenues**

Revenues on the Statement represent the amount of funds to which The QED Group LLC is entitled to receive from the USAID for allowable, eligible costs incurred under the contract and fixed fees earned, during the period of performance.

The proportionate fee (\$405,447) was calculated based on time spent and deliverables established and accepted for that time period. The fee was earned during those years based on acceptance of deliverables-not actual cost. Because this particular contract did not connect level of effort to performance and fee, the justification comes in two parts: 1) Contracting Officer (CO) acceptance of the product; and 2) CO non-action in modifying the contract to reduce or change the statement of work and modify the fee.

**Note 5. Revenue Recognition**

The Company generates revenue under various types of contractual arrangements with their customers. Generally work is performed under three types of contracts: cost-reimbursable, time-and-materials and fixed-price. Revenue on cost-reimbursable contracts is recognized to the extent of contract costs incurred plus a proportionate amount of fee earned. Revenue on time-and-materials contracts is recognized to the extent of fixed hourly rates for direct labor hours expended plus burdened materials expenses incurred. Revenue on fixed-price contracts is recognized on the percentage-of-completion method based on costs incurred in relation to total estimated costs or as a monthly fixed fee under the proportional performance method.

**Note 6. Costs Incurred by Budget Category**

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved contract budget adopted as a component of the Modification No 2 to the contract dated January 5, 2017.

Costs Incurred	Budgeted	Actual
Direct Costs	\$20,800,447	\$3,062,664
Security	\$3,067,009	\$1,273,314
Indirect Costs	\$3,875,817	\$1,119,897
Total Costs Incurred	\$27,743,273	\$5,455,875

**Note 7. Balance**

The 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 8. Currency**

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

**Note 9. Subcontractors**

Major subcontractors for the period under audit included the items listed below. Amounts billed through the course of the project are included for each subcontractor.

<b>Subcontractors:</b>	<b>Amount</b>
1. ACSOR -Surveys Limited	\$ 673,285
2. Afghanistan Holding Group	21,000
3. Edinburgh International	1,306,535

**Note 10. Program Status**

The Monitoring Support Project-East is complete. The period of performance for the contract concluded as of July 26, 2017 as noted in the task order contract AID-306-TO-15-00071 dated July 27, 2015

**Note 11. Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to the July 26, 2017, end of the period of performance covered by the Statement. Management had determined there were \$33,764 in costs that were incurred after July 26, 2017, but were related to the project and authorized by the Contracting Officer pursuant to correspondence dated February 26, 2018. Management has performed their analysis through August 16, 2018.

NOTES TO THE QUESTIONED COSTS PRESENTED ON THE SPECIAL  
PURPOSE FINANCIAL STATEMENT <sup>1</sup>

Questioned costs identified during the audit procedures have been classified as either ineligible or unsupported costs. SIGAR defines “ineligible costs” as those that are unreasonable, prohibited by the audited contract or applicable laws and regulations, or that are unrelated to the award. “Unsupported costs” are defined as those that not supported with adequate documentation or did not have the required prior approvals or authorizations.

**Note A. Finding 2018-02 - Guard Equipment Deposit Improperly Submitted for Reimbursement**

Crowe identified a deposit in the amount of \$7,491 that was submitted to USAID for reimbursement. The deposit did not reflect an actual cost incurred and was not reimbursed to the Government after the project concluded. The \$7,491 is in question and determined to be ineligible.

**Note B. Finding 2018-03 - Incorrect Indirect Rates Used and Failure to True-Up Indirect Costs**

Crowe questioned \$6,050 in costs due to QED’s not having processed an invoice to align its indirect costs billed to the Government to the amount that should have been billed using the revised provisional indirect cost rates. The amount of \$6,050 represents the difference in billed costs using the original provisional rates relative to the revised provisional rates and determined to be ineligible.

**Note C. Finding 2018-04 - Overbilling of Labor Costs**

QED charged a labor rate for one individual's time worked on the project that exceeded the labor rate caps appearing within USAID’s contract with QED. The resulting overcharge was \$864, which is in question and determined to be ineligible.

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<sup>1</sup> Notes to the Questioned Costs Presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Statement.



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Chairperson and Senior Management of The QED Group, LLC  
1820 Fort Myer Drive, #700  
Arlington, Virginia 22209

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 The QED Group LLC ("QED"), and related notes to the Statement, for the period July 27, 2015 through July 26, 2017, with respect to contract number AID-306-I-15-00007, Order Number AID-306-TO-15-00071. We have issued our report thereon dated August 16, 2018.

**Internal Control over Financial Reporting**

QED'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 July 27, 2015 through July 26, 2017, we considered QED's internal controls to determine the 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 QED's internal control. Accordingly, we do not express an opinion on the effectiveness of QED's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control that we consider to material weaknesses and significant deficiencies.

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. We consider the deficiency noted in Finding 2018-01 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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. We consider the deficiencies noted in Findings 2018-02 and 2018-03 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

We noted certain matters that we reported to QED's management in a separate letter dated August 16, 2018.

### **The QED Group LLC's Response to the Findings**

The QED Group LLC's response to the findings was not subject to the auditing procedures applied in the audit of the special purpose financial statement and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the 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 The QED Group LLC, 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 LLP*

Crowe LLP

August 16, 2018  
Washington, D.C.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Chairperson and Senior Management of The QED Group, LLC  
1820 Fort Myer Drive, #700  
Arlington, Virginia 22209

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 The QED Group, LLC ("QED"), and related notes to the Statement, for the period July 27, 2015 through July 26, 2017, with respect to contract number AID-306-I-15-00007, Order Number AID-306-TO-15-00071. We have issued our report thereon dated August 16, 2018.

### **Management's Responsibility for Compliance**

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the contract task orders is the responsibility of the management of The QED Group LLC.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in Findings 2018-01, 2018-02, 2018-03, and 2018-04 in the accompanying Schedule of Findings and Questioned Costs.

### **The QED Group LLC's Response to the Findings**

The QED Group LLC's response to the findings was not subjected to the auditing procedures applied in the audit of the special purpose financial statement and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of 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 The QED Group LLC, 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 LLP*

Crowe LLP

August 16, 2018  
Washington, D.C.

## SECTION I - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Finding 2018-01: Anti-Kickback Clause Improperly Excluded from Subcontracts.**

Material Weakness and Non-compliance

**Condition:** During our testing of four procurements, we found that two subcontracts exceeding \$150,000 did not include the required anti-kickback clause requiring that the subcontractors maintain and implement anti-kickback procedures. The two subcontracts are presented below:

Subcontractor Name	Subcontractor Number	Amount
Edinburgh International RMC Limited	EI-2011-000	\$ 1,045,320
Edinburgh International RMC Limited	EI-2011-02	\$ 599,698

**Criteria:** Pursuant to FAR 52.203-7(c) (5), QED is required to include the substance of FAR 52.203-7 in subcontracts exceeding \$150,000. The clause includes, but is not limited to, requiring the implementation of procedures to prevent and detect possible violations of anti-kickback provisions and cooperation with the Federal Government in its efforts to investigate a possible violation.

**Questioned Costs:** None

**Effect:** Subcontractors may be unaware of the anti-kickback provisions and fail to prevent, detect, or report such matters to QED and/or USAID, as required and expected.

**Cause:** QED's Contract Department's personnel were unaware of the requirement to include anti-kickback clauses in the applicable subcontracts.

**Recommendation:** We recommend that:

1. The contract template be reviewed by QED management and updated to include all applicable clauses; and
2. QED Management establish a policy or procedure that requires periodic training of Contract Department personnel regarding mandatory clauses in contracts in accordance with Federal regulations.

## **Finding 2018-02: Guard Equipment Deposit Improperly Submitted for Reimbursement**

Significant Deficiency and Non-compliance

**Condition:** We tested 47 expenditures for allowability. During our testing, we noted that a security deposit in the amount of \$7,491 for guard equipment that was not subsequently credited back to USAID. Since the deposit does not reflect an actual cost incurred for delivery of services or receipt of a tangible good and was not credited back to USAID, the transaction is considered ineligible.

**Criteria:** The commercial entity cost principles provide certain restrictions and requirements addressing the allowability and reasonableness of costs. Pursuant to 48 CFR Subpart 31.2, the following requirements apply:

### **31.201–2 Determining allowability.**

(a) A cost is allowable only when the cost complies with all of the following requirements:

- (1) Reasonableness.
- (2) Allocability.
- (3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances.
- (4) Terms of the contract.
- (5) Any limitations set forth in this subpart.

### **31.201–4 Determining allocability.**

A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it—

- (a) Is incurred specifically for the contract;
- (b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or
- (c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.

**Questioned Costs:** \$7,491 in direct costs.

**Effect:** USAID was overcharged because the deposit was submitted as a cost reimbursement and not refunded to USAID.

**Cause:** QED Management did not have a process in place to ensure that deposits were not charged to the government.

**Recommendation:** We recommend that QED reimburse USAID \$7,491 and modify its reimbursement request procedures to require supervisory review ensuring all deposits or other such transactions are not charged to the government.

## **Finding 2018-03: Incorrect Indirect Rates Used and Failure to True-Up Indirect Costs**

### Significant Deficiency and Non-compliance

**Condition:** We selected 11 of QED's 34 total billings submitted to USAID for testing. During our procedures, we noted that QED did not submit a voucher to USAID to align its indirect costs billed with the anticipated final indirect cost rates. Upon revision of the provisional indirect cost rates, QED's actual rates were lower than those used in the initial billings. The difference between the indirect cost billings submitted using the initial provisional rates and those utilizing the revised rates is \$6,050, which is in question.

QED completed a true-up voucher calculation during the audit to return the ineligible costs to USAID.

**Criteria:** Section B.9 of the QED IDIQ states that "Contractors are allowed to recover applicable indirect cost (i.e., overhead, G&A, etc.) on other direct costs if it is part of the Contractor's usual accounting procedures, consistent with FAR Part 31, and Negotiated Cost Rate Agreement (NICRA)." In addition, the final indirect rates used must not be greater than the ceiling rates established in Section B.9.

FAR 52.216-7(e) states, "Until final annual indirect cost rates are established for any period, the Government shall reimburse the Contractor at billing rates established by the Contracting Officer or by an authorized representative (the cognizant auditor), subject to adjustment when the final rates are established...[B]illing rates shall be the anticipated final rates and [m]ay be prospectively or retroactively revised by mutual agreement, at either party's request, to prevent substantial overpayment or underpayment."

**Questioned Costs:** \$6,050 in indirect costs, consisting of \$3,839 for fiscal year 2015 and \$2,211 for fiscal year 2016.

**Effect:** Failure to implement a process to calculate billing adjustments upon receipt of revised provisional indirect cost rates or identification of anticipated final indirect cost rates increases the risk that the Government will be overcharged.

**Cause:** Management's review of the invoice did not detect that the accounting system applied a rate change loaded in October 2016 to historical months improperly. Further, management did not have a process in place to ensure that the indirect cost adjustment was promptly calculated and submitted to USAID.

**Recommendation:** We recommend that QED:

1. Reimburse USAID \$6,050;
2. Develop and document a procedure to ensure the timely calculation and submission of indirect cost billing adjustments following completion of the annual financial statement audit when anticipated final rates are known; and
3. Provide additional training to billing personnel to ensure that they are reviewing for potential inclusion of incorrect indirect cost rates.

#### **Finding 2018-04: Overbilling of Labor Costs**

##### Non-Compliance

**Condition:** During our testing of 47 expenditure samples, we identified two instances in which the labor rate charged for an employee in November 2016 and May 2017 exceeded the labor rate cap specified in the contract. The costs were determined to be ineligible.

**Criteria:** Based on the contract IDIQ Section B.7 (f), labor rates charged must be equal to or lower than the ceiling rates set forth in the contract.

**Questioned Costs:** \$864

**Effect:** USAID was overcharged \$864 in direct costs.

**Cause:** The accounting system does not allow the setup of a reimbursement rate that is different from the actual rate paid the employee. QED management did not implement manual processes to supplement existing system controls and detect the potential overcharges.

**Recommendation:** We recommend that QED reimburse USAID \$864 and also provide training to billing personnel so as to ensure that they are reviewing for potential inclusion of labor rates that exceed the agreed upon rate caps.



## SECTION II - SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT FINDINGS

Per discussion with QED, SIGAR, and the United States Agency for International Development no prior audits, reviews, or assessments were conducted over the contract task order under audit. Accordingly, there were no corrective actions required for follow-up by Crowe.

## APPENDIX A - VIEWS OF RESPONSIBLE OFFICIALS



August 15, 2018

Crowe LLP  
1455 Pennsylvania Ave. NW, Suite 700  
Washington, DC 20004

We have reviewed your financial audit report for The QED Group LLC (“QED”) contract number AID-306-I-15-00007, task order number AID-306-TO-15-00071, for the period July 27, 2015, through July 26, 2017. We concur with the following Findings: # **2018-01**, # **2018-02** and # **2018-04**. We partially concur with finding # **2018-03**:

In finding #**2018-03**, you concluded that incorrect indirect rates were used on the October 2016 invoice submitted to USAID and that usage of the incorrect rates resulted in an overbilling to the government. The “overage” you are referring to actually is a difference between the FY2015 and FY2016 NICRA that was applied retroactively for the period of January thru September 2016. The QED Group negotiated the new (FY2016) NICRA in October 2016 and as per instruction given on the NICRA letter (see a copy of NICRA documents attached) we adjusted our January-September invoices using the new indirect rates and incorporated this adjustment into the October 2016 invoice. For transparency we are providing detailed computation of the FY2016 NICRA adjustment here:

	Oct'16 Invoice before FY 2016 NICRA adjustment		Adjustment of FY2016 NICRA applied retro Jan-Sep 2016	Adjusted Oct'16 invoice submitted to USAID
D. Labor - QED Site		3,020.11		3,020.11
D. Labor - Client St		25,540.17		25,540.17
Travel		1,589.78		1,589.78
Allowances -Employees		13,899.70		13,899.70
Communications		2,567.36		2,567.36
Subcontractors		164,396.02		164,396.02
Consultants/CCN's		73,671.39		73,671.39
Supplies/Equip/Furn		2,046.84		2,046.84
Other ODCs		27,028.41		27,028.41
	Per Agreement			
Fringe - Regular	42.80%	12,224.57	(249.35)	11,975.22
Overhead - QED Site	50.02%	2,157.26	522.59	2,679.85
O/H - Client Site	26.13%	9,528.32	3,379.63	12,907.95
Sub-Handling	6.74%	11,080.29	(975.97)	10,104.32
General & Admin	14.89%	27,448.13	284.50	27,732.63
Fixed Fee	4.82%	18,132.76	142.74	18,275.50
Total Invoice amount		394,331.12	3,104.14	397,435.25



In the same finding #2018-03, you concluded that we failed to true-up indirect costs in 2015, 2016, and 2017. We do concur with the questioned costs \$3,839 for FY2015 and \$2,211 for FY2016, but we do not concur with the questioned costs \$1,533 for FY2017. In June 2018, The QED Group submitted its Incurred Cost Proposal for FY2017 to USAID and when the new provisional rates are approved we expect the government to reimburse us for additional indirect costs in the amount of \$40,579. For transparency we are providing a detailed true-up computation for FY2017 here:

		FY 2017		Over (-)/ Under (+)
	Total Billed @	Provisional	Total Costs @	
	Provisional Rates	Rates	Actual Rates	Billed
Direct Labor- QED Site	39,375.77		39,375.77	
Direct Labor- Client Site	197,148.47		197,148.47	
Total Labor	236,524.24		236,524.24	
Travel	35,916.06		35,916.06	
Allowances-Employees	158,885.59		158,885.59	
Communications	19,643.14		19,643.14	
Subcontractors	957,421.20		957,421.20	
Consultants	289,831.42		289,831.42	
Supplies/Equip/Furn	5,711.51		5,711.51	
Other ODC	303,635.27		303,635.27	
Consultants-o T&M	20,857.90		20,857.90	
			-	
Total ODC	1,791,902.09		1,791,902.09	
Fringe - Regular	101,232.37	41.23%	97,518.94	(3,713.43)
OH- QED site	28,125.53	50.02%	27,816.32	(309.21)
OH- Client Site	73,563.26	26.13%	148,487.44	74,924.18
Subhandling	64,530.18	2.34%	22,403.66	(42,126.52)
G& A	199,296.17	15.44%	211,100.54	11,804.37
Total Indirect Costs	466,747.51		507,326.90	40,579.39
Subtotal	2,495,173.84		2,535,753.23	

Please do not hesitate to reach out to me directly should you require any additional information.

Best regards,

DocuSigned by:  
  
 FC44AD374BA8441...  
 Patrick Lohmeyer  
 Executive Vice President



**USAID**  
FROM THE AMERICAN PEOPLE

October 18, 2016

Archil Nikuradze, Chief Financial Officer  
The QED Group, LLC  
1820 N. Fort Myer Dr. Suite 700  
Arlington, VA 22209

Dear Mr. Nikuradze:

The Overhead, Special Costs, and Closeout Branch of the Office of Acquisition and Assistance is the central unit authorized to negotiate indirect cost rates with concerns awarded contracts, cooperative agreements, or grants by the U.S. Agency for International Development (USAID).

Enclosed is the USAID Negotiated Indirect Cost Rate Agreement (NICRA) for the appropriate official in your organization to sign. The NICRA establishes provisional indirect cost rates for fiscal years ended December 31, 2013, 2014 and 2015; and sets provisional rates for the period beginning January 1, 2016, until amended.

Note that these indirect cost rates apply to all flexible priced awards incorporating provisional indirect cost rates. **For awards that incorporate these rates, you are directed to promptly take the necessary actions to adjust your invoices for the difference between the billed and the indirect rates (provisional and final) in the NICRA.** Furthermore, be aware that the NICRA does not change any monetary ceiling, obligation, or specific cost allowance or disallowance provided for in each award between the parties. Therefore, care needs to be taken to ensure that amounts claimed do not exceed award limitations or indirect cost rate ceilings.

Please sign the attached NICRA and forward an electronic version to [jalmodovar@usaid.gov](mailto:jalmodovar@usaid.gov). If you prefer to mail the signed copy, please do so at the following address: M/OAA/CAS/OCC SA-44, Room 8.822 B, USAID, 1300 Pennsylvania Ave., NW, Washington, DC 20523-7802.

If you have any questions concerning the indirect cost rate agreement, contact Judith Almodovar at (202) 567-4663.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugenia L. Brown".

Eugenia L. Brown  
Contracting Officer  
Overhead, Special Cost and Closeout Branch  
Cost, Audit and Support Division  
Office of Acquisition and Assistance

Enclosure: USAID NICRA

U.S. Agency for International Development  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523  
[www.usaid.gov](http://www.usaid.gov)





**USAID**  
FROM THE AMERICAN PEOPLE

## NEGOTIATED INDIRECT COST RATE AGREEMENT

October 11, 2016

### ORGANIZATION

The QED Group, LLC  
1820 N. Fort Myer Dr. Suite 700  
Arlington, VA 22209

Pursuant to §742.770 of the U.S. Agency for International Development Acquisition Regulation (AIDAR), the rates in this Agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section II.A, below.

### SECTION I: NEGOTIATED INDIRECT COST RATES

TYPE	EFFECTIVE PERIOD		INDIRECT COST RATES				
	FROM	THROUGH	Fringe Benefits (a)	Overhead		Subcontract Handling (d)	G&A (e)
				Client Site (b)	Home Office (c)		
Provisional	01-01-13	12-31-13	42.57%	24.89%	51.14%	6.83%	25.58%
Provisional	01-01-14	12-31-14	43.38%	25.16%	56.70%	11.94%	19.86%
Provisional	01-01-15	12-31-15	39.97%	31.67%	68.54%	7.55%	13.35%
Provisional	01-01-16	Until Amended	42.80%	26.63%	50.96%	6.90%	14.89%

### Base of Application

- (a) Total labor dollars
- (b) Total client site direct labor, B&P/IR&D labor plus associated fringe benefits
- (c) Total home office direct labor, B&P/IR&D labor plus associated fringe benefits
- (d) Total direct subcontract costs (includes direct security costs)
- (e) Total costs excluding direct subcontract costs and G&A expenses

## SECTION II: GENERAL

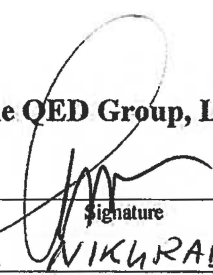
- A. LIMITATIONS: Use of the rate(s) contained in this Agreement is subject to all statutory or administrative limitations and is applicable to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rate(s) agreed to herein is predicated upon the following conditions:
1. That no costs other than those incurred by the grantee or allocated to the grantee via an approved central service cost allocation plan were included in its indirect cost rate proposal and that such incurred costs are legal obligations of the grantee and allowable under the governing cost principles,
  2. That the information provided by the grantee which was used as a basis for acceptance of the rate(s) herein is not subsequently found to be materially inaccurate,
  3. That the same costs that have been treated as indirect costs have not been claimed as direct costs, and
  4. That similar types of costs have been accorded consistent treatment.
- B. ACCOUNTING CHANGES: The grantee is required to provide written notification to the indirect cost negotiator prior to implementing any changes which could affect the applicability of the approved rates. Any changes in accounting practice to include changes in the method of charging a particular type of cost as direct or indirect and changes in the indirect cost allocation base or allocation methodology require the prior approval of the Office of Overhead, Special Cost and Closeout (OCC). Failure to obtain such prior written approval may result in cost disallowance.
- C. NOTIFICATION TO FEDERAL AGENCIES: A copy of this document is to be provided by this organization to other Federal funding sources as a means of notifying them of the Agreement contained herein.
- D. PROVISIONAL-FINAL RATES: The grantee must submit a proposal to establish a final indirect cost rate within nine months after its fiscal year end. Billings and charges to Federal awards must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate and there are no funds available to cover the additional indirect costs, the organization may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the organization will be required to pay back the difference to the funding agency.

E. SPECIAL REMARKS:

1. Indirect costs charged to Federal grants/contracts by means other than the rate(s) cited in the agreement should be adjusted to the applicable rate(s) cited herein which should be applied to the appropriate base to identify the proper amount of indirect costs allocable to the program.
2. Grants/contracts providing for ceilings as to the indirect cost rate(s) or amount(s), which are indicated in Section I above, will be subject to the ceilings stipulated in the grant, contract or other agreement. The ceiling rate(s) or the rate(s) cited in this Agreement, whichever is lower, will be used to determine the maximum allowable indirect cost on the grant or contract agreement.
3. The rates hereby approved are subject to periodic review by the Government at any time their use is deemed improper or unreasonable. You are requested to advise the Government promptly of any circumstances, which could affect the applicability of the approved rates.
4. You are directed to promptly submit adjustment vouchers or final vouchers for all flexibly priced grants, contracts or other agreements. Audit adjustments should be clearly delineated so as to be readily identifiable for verification by this office. Care should be taken that amounts claimed do not exceed award limitations or indirect cost rate ceilings.


ACCEPTED: The QED Group, LLC

By: \_\_\_\_\_

  
Signature  
ARCHIL NIKURADZE  
Printed or Typed Name

Director of Finance  
Title

10/24/2016  
Date



Eugenia L. Brown  
Contracting Officer  
Overhead, Special Cost and Closeout Branch  
Cost, Audit and Support Division  
Office of Acquisition and Assistance  
U.S. Agency for International Development



## APPENDIX B – AUDITOR’S REBUTTAL

Crowe LLP (“Crowe” or “we” or “us”) has reviewed the letter dated August 16, 2018, containing QED’s responses to the draft audit report. In consideration of those views, Crowe has included the following rebuttal to certain matters presented by the auditee. A rebuttal has been included in those instances where management disagreed or partially disagreed with an audit finding. Crowe modified finding 2018-03 in response to management’s comments and the additional documentation provided in support of management’s position. No modifications were considered necessary for findings 2018-01, 2018-02, or 2018-04.

### **Finding 2018-03**

We have reviewed management’s response, USAID instruction within the FY2016 negotiated indirect cost agreement (NICRA) letter, and management’s calculation. We concur with management’s conclusion that the use of rates that did not agree with the current NICRA is supported by USAID’s instruction and the requirement to adjust prior period costs based on the NICRA’s applying rates retroactively. We have modified the finding in response to this matter.

With respect to the questioned costs of \$1,533 associated with QED’s not having processed an adjustment for anticipated final FY2017 indirect cost rates, we have reviewed management’s calculation and explanation. Based on our review, we conclude that the submission of the Incurred Cost Proposal and inclusion of rates thus indicating that there is an underbilling versus an overbilling meets the requirements of FAR 52.216-7. Therefore, we have cleared the \$1,533 in questioned costs for FY2017 from the finding.

## 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

- Phone: 703-545-5974
- Email: [sigar.pentagon.ccr.mbx.public-affairs@mail.mil](mailto:sigar.pentagon.ccr.mbx.public-affairs@mail.mil)
- Mail: SIGAR Public Affairs  
2530 Crystal Drive  
Arlington, VA 22202