

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 23-12 Financial Audit**

## USAID's Afghanistan Urban Health Initiative Program: Audit of Costs Incurred by Jhpiego Corporation



**FEBRUARY  
2023**

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On October 13, 2020, the U.S. Agency for International Development (USAID) Mission to Afghanistan awarded a 5-year, \$104,000,000 cooperative agreement to Jhpiego Corporation (Jhpiego) to support the Urban Health Initiative (UHI) Program. The UHI program's objective is to improve health outcomes in five urban areas of Afghanistan by providing reproductive, maternal, child health, family planning, immunizations, nutrition, and disease mitigation services. USAID modified the agreement two times; the modifications updated USAID's source of funding for the program but did not affect the total award amount. The agreement's period of performance is October 14, 2020, through October 13, 2025.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$9,768,848 in costs charged to the agreement from October 14, 2020, through October 31, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Jhpiego's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Jhpiego has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Jhpiego's Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

February 2023

### USAID's Afghanistan Urban Health Initiative Program: Audit of Costs Incurred by Jhpiego Corporation

SIGAR 23-12-FA

### WHAT SIGAR FOUND

Conrad identified one deficiency and three significant deficiencies in Jhpiego's internal controls, and four instances of noncompliance with the terms of the award. For example, Conrad found that Jhpiego charged USAID for salaries, post differentials, and danger pay that exceeded the actual costs Jhpiego incurred. In another example, Conrad found that Jhpiego did not allocate electricity and an association membership fee among all its programs in its Afghanistan office, resulting in 100 percent of the costs being charged to UHI. SIGAR notified Jhpiego of these deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$11,637 in total questioned costs, consisting of \$10,855 in ineligible costs—costs prohibited by the agreement and applicable laws and regulations, and \$752 in unsupported costs—costs not supported with adequate documentation or that do not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$9,304	\$643	\$9,947
Indirect Costs	\$1,581	\$109	\$1,690
<b>Total Costs</b>	<b>\$10,885</b>	<b>\$752</b>	<b>\$11,637</b>

Conrad identified one prior audit report that was relevant to Jhpiego's cooperative agreement. The report had two findings that could have a material effect on the SPFS. Conrad conducted follow-up procedures and concluded that Jhpiego took adequate corrective action on both findings.

Conrad issued an unmodified opinion on Jhpiego's SPFS, noting it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

### WHAT SIGAR RECOMMENDS

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

1. **Determine the allowability of and recover, as appropriate, \$11,637 in questioned costs identified in the report.**
2. **Advise Jhpiego to address the report's four internal control findings.**
3. **Advise Jhpiego to address the report's four noncompliance findings.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

February 1, 2023

The Honorable Samantha Power  
Administrator, U.S. Agency for International Development

Mr. Sean Callahan  
Mission Director, U.S. Agency for International Development

We contracted with Conrad, LLP (Conrad) to audit the costs incurred by Jhpiego Corporation (Jhpiego) under a cooperative agreement from the U.S. Agency for International Development (USAID) Mission to Afghanistan to support the Urban Health Initiative (UHI) Program.<sup>1</sup> The UHI program's objective is to improve health outcomes in five urban areas of Afghanistan by providing reproductive, maternal, child health, family planning, immunizations, nutrition, and disease mitigation services. Conrad reviewed \$9,768,848 in costs charged to the agreement from October 14, 2020, through October 31, 2021. Our contract with Conrad 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 agreement officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$11,637 in questioned costs identified in the report.**
- 2. Advise Jhpiego to address the report's four internal control findings.**
- 3. Advise Jhpiego to address the report's four noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements 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 Jhpiego's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated October 28, 2022, and the conclusions expressed therein. However, our review disclosed no instances where Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for completion for the recommendations to [sigar.pentagon.audits.mbx.recommendation-followup@mail.mil](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil), within 60 days from the issue date of this report.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-240)

<sup>1</sup> The cooperative agreement number is 72030620CA00007.

**Jhpiego Corporation**

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA00007

Awarded by the United States Agency for International Development's Mission in  
Afghanistan, in support of the Urban Health Initiative Program

For the Period of October 14, 2020 through October 31, 2021

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October 28, 2022

Board of Directors  
Jhpiego Corporation  
Baltimore, MD

Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, VA 22202

Conrad LLP (referred to as "Conrad" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of Jhpiego Corporation's Special Purpose Financial Statement for costs incurred under Cooperative Agreement No. 72030620CA00007 awarded by the United States Agency for International Development's Mission in Afghanistan for the period October 14, 2020 through October 31, 2021, in support of the Urban Health Initiative Program.

On September 21, 2022, we provided SIGAR with a draft report reflecting our audit procedures and results. Jhpiego Corporation received a copy of the report on October 12, 2022 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and Jhpiego Corporation. Additionally, Jhpiego Corporation's responses and Conrad's corresponding rebuttals are incorporated into this report following our audit reports.

Thank you for providing us the opportunity to work with you, and to conduct the audit of this Cooperative Agreement.

Sincerely,

A handwritten signature in blue ink, appearing to read "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA00007  
Awarded by the United States Agency for International Development/Afghanistan  
for the Urban Health Initiative Program

For the Period of October 14, 2020 through October 31, 2021

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### Background

On October 13, 2020, the United States Agency for International Development's ("USAID") Mission in Afghanistan awarded Cooperative Agreement No. 72030620CA00007 ("Agreement") to Jhpiego Corporation ("Jhpiego") in support of the Urban Health Initiative ("UHI" or "Program").

Jhpiego is a nonprofit international health organization affiliated with Johns Hopkins University. It was founded in 1973 and has expertise in the areas of maternal and newborn health, infection prevention and control, and gender and equity issues. Currently, Jhpiego has active programs in more than 35 countries.

The purpose of the Agreement was to improve health outcomes in five urban areas of Afghanistan: Kabul, Mazar-e-Sharif, Herat, Kandahar, and Jalalabad. UHI services focus on reproductive, maternal, newborn and child health, family planning, immunizations, nutrition, and controlling tuberculosis. Jhpiego's stated outcomes for the UHI Program are as follows:

- Customized, city specific strategies developed that respond to the local burden of disease, priorities and challenges, with participatory, data powered, adaptive management and coordination mechanisms instilled for the Ministry of Public Health, Provincial Public Health Offices and municipalities to manage urban health ecosystem services effectively and efficiently.
- Alternative expanded models of care that bring services closer to clients, with creative public-private partnerships leveraged to remove barriers for the most vulnerable populations to access primary and secondary services.
- Quality care and health provider performance strengthened, with a technology-based platform that connects tertiary with lower-level facilities in each city to improve learning, data-driven decision making and clinical outcomes.
- Evidence based and empathy driven social, and behavior change strategy that improves vulnerable populations' awareness, acceptance and desire for life saving services and behaviors, with strategies that addresses community's on-the-ground realities, perceptions and needs.

The initial Agreement amount was \$104,000,000, for the period of performance from October 14, 2020 through October 13, 2025. There have been two modifications to the Agreement, each were to update the source of funding used by USAID to support the UHI Program, which did not have an impact on the total award amount or period of performance. See the *Summary of Agreement* on the next page.

# Jhpiego Corporation

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA00007  
Awarded by the United States Agency for International Development/Afghanistan  
for the Urban Health Initiative Program

For the Period of October 14, 2020 through October 31, 2021

## Summary of Agreement

Cooperative Agreement Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
72030620CA00007	\$104,000,000	10/14/20	10/13/25	2	No change	No change

## Work Performed

Conrad LLP (“Conrad”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of the Agreement, as mentioned above, of Jhpiego’s Special Purpose Financial Statement (“SPFS”) for costs incurred under the Program totaling \$9,768,848 for the period October 14, 2020 through October 31, 2021.

## Objectives, Scope, and Methodology

### Audit Objectives

The objectives of the audit of the aforementioned Agreement include the following:

- *Special Purpose Financial Statement (“SPFS”)* – Express an opinion on whether Jhpiego’s SPFS for the Agreement presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the Agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of Jhpiego’s internal controls related to the Agreement, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether Jhpiego complied, in all material respects, with the Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Agreement 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 Jhpiego has taken adequate corrective action to address findings and recommendations from



## **Jhpiego Corporation**

Financial Audit of Costs Incurred Under  
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For the Period of October 14, 2020 through October 31, 2021

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previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

### **Scope**

The scope of this audit included all costs incurred and revenues received during the period of October 14, 2020 through October 31, 2021. The revenue totaled \$10,381,093 with costs totaling \$9,768,848 and a fund balance of \$612,245 under the Agreement. Our testing of indirect costs charged to the Agreement was limited to determining that the indirect costs were calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (“NICRA”) and subsequent applicable amendments.

### **Audit 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 on April 25, 2022, with representatives of Jhpiego, Conrad, SIGAR, and USAID participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of the audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

#### **Planning**

During our planning phase, we performed the following:

- Obtained an understanding of Jhpiego. The scope of our audit includes Jhpiego’s management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of Jhpiego through interviews, observations, and reading policies and procedures. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
  - Agreement and modifications;
  - Any regulations that are specific to the Agreement’s requirements, such as 2 CFR 200, Subpart E, Cost Principles, 2 CFR 700, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards;
  - Audited financial statements;
  - Previous SIGAR and USAID financial audit reports

## **Jhpiego Corporation**

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- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs are properly recorded.

### Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Agreement, and the applicable general ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Agreement;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved provisional and final negotiated indirect cost rates to ensure that they were accurately applied.

### Internal Controls Related to the Agreement

We reviewed Jhpiego's internal controls related to the Agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of Jhpiego's financial reporting function and compliance with applicable laws and regulations. This review was accomplished through interviews with management and key personnel, reviewing policies and procedures, and identifying key controls within significant transaction cycles and testing those key controls.

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

We performed tests to determine whether Jhpiego complied, in all material respects, with the Agreement requirements, 2 CFR 200 and 2 CFR 700 and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.

### Corrective Action on Prior Findings and Recommendations

We requested from Jhpiego to identify previous engagements that could have a material effect on Jhpiego's SPFS. In addition, we conducted a search online of various governmental websites including

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SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other Federal agencies, to identify previous engagements that could have a material effect on Jhpiego's SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 30.

### Exit Conference

An exit conference was held on August 31, 2022 via conference call. Participants included representatives from Jhpiego, Conrad, SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

### **Summary of Results**

We have summarized the details of these results in the Schedule of Findings and Questioned Costs subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

### Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS.

We identified \$11,637 in total questioned costs, which comprised \$10,885 in ineligible costs and \$752 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Agreement's provisions or applicable laws and regulations, or not related to the Agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on Jhpiego's SPFS. In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

### Internal Controls and Compliance

Our audit identified four internal control findings. Three internal control findings are considered to be significant deficiencies and one internal control finding is considered to be a deficiency. See *Independent Auditor's Report on Internal Control* on page 16.

## Jhpiego Corporation

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### Compliance Findings

The results of our testing identified four instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 18.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Jhpiego did not have any instances of alleged fraud during the audit period that could have potentially impacted the Program and the SPFS. As such, there are no further communications warranting additional consideration.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2022-01	Non-compliance and Internal Control – Significant Deficiency	Incorrect salary allocation due to payroll calculation errors	\$ 6,889	\$ -	\$ 6,889
2022-02	Non-compliance and Internal Control – Significant Deficiency	Ineligible costs were charged to the Program	2,569	-	9,458
2022-03	Non-compliance and Internal Control – Significant Deficiency	Allocation methodology was not used to allocate shared costs among all Programs in Afghanistan	1,427	-	10,885

## Jhpiego Corporation

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2022-04	Non-compliance and Internal Control – Deficiency	Unsupported costs were charged to the Program	-	752	11,637
<b>Total Questioned Costs</b>			<b>\$ 10,885</b>	<b>\$ 752</b>	<b>\$ 11,637</b>

### Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from Jhpiego, SIGAR, and USAID pertinent to Jhpiego's activities under the Agreement. We identified one prior audit report with two findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with the management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. Based on our review, Jhpiego had taken adequate corrective actions on both of the findings and recommendations. See *Status of Prior Audit Findings* on page 30 for a detailed description of the prior findings and recommendations.

### Summary of Jhpiego's Responses to Findings

The following represents a summary of the responses provided by Jhpiego to the findings identified in this report. The complete responses received can be found at **Appendix A** starting at page 31 of this report.

**Finding 2022-01, Finding 2022-02, and Finding 2022-03** – Jhpiego agreed with the findings and recommendations.

**Finding 2022-04** – Jhpiego partially agreed with the finding and recommendations. Jhpiego accepted the finding but stated that the intent of their policy was not to have employees pay family members when staff were allowed to stay with family members instead of at hotels.



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

Board of Directors  
Jhpiego Corporation  
Baltimore, MD

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 accompanying Special Purpose Financial Statement of Jhpiego Corporation ("Jhpiego") and the related notes to the Special Purpose Financial Statement, with respect to the Cooperative Agreement No. 72030620CA00007 ("Agreement") awarded by the U.S. Agency for International Development ("USAID") in support of the Urban Health Initiative Program, for the period of October 14, 2020 through October 31, 2021.

### 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 requirements provided by the Office of the Special Inspector General of Afghanistan Reconstruction ("SIGAR"). Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial 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 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 Jhpiego'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 Jhpiego'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 unqualified opinion.

## Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the revenues earned, costs incurred, and balances for the indicated period of October 14, 2020 through October 31, 2021, in accordance with the terms of the Cooperative Agreement and conformity with the basis of accounting described in Note 2.

## Basis of Presentation and Accounting

We draw attention to Note 1 and Note 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Special Purpose Financial Statement, the statement is prepared by Jhpiego on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 28, 2022 on our consideration of Jhpiego's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Agreement, 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 Jhpiego's internal control over financial reporting and compliance.

## Restriction on Use

This report is intended for the information of Jhpiego Corporation, the United States Agency for International Development/Afghanistan, 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.

Lake Forest, California  
October 28, 2022

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA0007  
Awarded by the United States Agency for International Development/Afghanistan  
For the Urban Health Initiative Program

For the Period of October 14, 2020 through October 31, 2021

### Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	<u>Notes</u>
Revenues:						
<b>Cooperative Agreement No. 72030620CA00007</b>	<u>\$27,000,000</u>	<u>\$10,381,093</u>	\$ -	\$ -	\$ -	(4)
Total Revenue	<u>27,000,000</u>	<u>10,381,093</u>	-	-	-	
Costs Incurred:						
Personnel	5,193,201	3,386,979	5,481	-	5,481	(A)
Fringe Benefits	1,462,711	1,111,380	1,950	-	1,950	(A)
Travel	287,780	217,909	653	643	1,296	(B)
Equipment	898,963	-	-	-	-	
Materials & Supplies	768,965	458,998	1,220	-	1,220	(C)
Contractual Services	6,583,570	2,417,855	-	-	-	
Other Direct Costs	4,447,636	1,026,963	-	-	-	
Indirect Costs	<u>2,072,350</u>	<u>1,148,764</u>	<u>1,581</u>	<u>109</u>	<u>1,690</u>	(D)
Total Costs Incurred	<u>\$21,715,176</u>	<u>\$ 9,768,848</u>	<u>\$ 10,885</u>	<u>\$ 752</u>	<u>\$ 11,637</u>	
Outstanding fund balance	<u>\$ 5,284,824</u>	<u>\$ 612,245</u>				(7)
Cost Share		<u>\$ 450,805</u>				(8)

See Notes to the Special Purpose Financial Statement and Notes to Questioned Costs Presented on the Special Purpose Financial Statement



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for the Urban Health Initiative Program

For the Period of October 14, 2020 through October 31, 2021

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

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### (1) **Basis of Presentation**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under the Urban Health Initiative (UHI) Cooperative Agreement No 72030620CA00007 Program for the period October 14, 2020 to October 31, 2021. Because the Statement presents only a selected portion of the operations of Jhpiego Corporation, it is not intended to and does not present the financial position, changes in the net assets, or cash flows of Jhpiego Corporation. The information in this Statement is presented in accordance with the requirements specified by SIGAR and is specific to the aforementioned Federal Cooperative Agreement. Therefore, some amounts presented in this Statement may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

### (2) **Basis of Accounting**

Expenditures reported on the Statement are reported on cash basis of accounting and presents amounts as presented under the terms of the Agreement. Such expenditures are recognized following the cost principles contained in 2 CFR 200 Subpart E, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue reported on the Statement corresponds to flow of funds received from USAID.

### (3) **Foreign Currency Translation Method**

For purposes of preparing the Statement, conversions from local currency to United States dollars were not required. Jhpiego maintains the funds in Afghanistan in USD and does not have a local Afghani account. When local currency is needed, the required funds are converted from USD to local currency and the amount is recorded in USD using the actual exchange rate from the bank on the date of the conversion.

### (4) **Revenues**

Revenues on the Statement represent the total of funds drawn against the letter of credit for this Program during the audit period. These revenues represent reimbursement for allowable costs charged to the Program. Jhpiego Corporation is entitled to receive these funds from USAID for allowable, eligible costs incurred under the cooperative agreement during the period of performance. The Total Revenue draw down for the audit period is \$10,381,093. This includes \$1,800,000 drawn down on September 27, 2021 as the funding source was due to expire on September 30, 2021. The funds were used to support Program activity and, as of the audit period, the total amount spent was \$9,768,848.

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

# Jhpiego Corporation

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Cooperative Agreement No. 72030620CA00007  
Awarded by the United States Agency for International Development/Afghanistan  
for the Urban Health Initiative Program

For the Period of October 14, 2020 through October 31, 2021

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

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**(5) Costs Incurred by Budget Category**

The budget categories presented and associated amounts within the approved cooperative agreement budget as the Year 1 budget is a component of the five-year budget plan detailed in the agreement. It encompasses the entire period of performance.

**(6) Compensation Fringe Benefits**

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. The fringe benefits are based on local law, established organizational policy or employer-employee agreements. The rates are reviewed on an annual basis and adjusted as needed.

**(7) Outstanding Balance**

The Outstanding Fund Balance presented on the Statement represents the difference between revenue earned and costs incurred such that an amount greater than \$0 would reflect that on a cash basis, revenues have been earned that exceeded costs incurred or charged to this cooperative agreement and an amount less than \$0 would indicate that costs have been incurred but have not been paid so on a cash basis not recognized as revenue. The outstanding fund balance as of October 31, 2021 is \$612,245 due to \$1,800,000 drawn on September 27, 2021. The funds were issued in 2015 and awards funded using a fixed appropriation prior to 2017 was set to cancel on September 30, 2021. Undrawn award funding issued would no longer be available for Program expenditures, obligations or payment requests in the Payment Management System.

**(8) Cost Share**

Recipient share of expenditures for the period October 14, 2020 to October 31, 2021 are \$450,805.

**(9) Activity Status**

The UHI Cooperative Agreement program remains active and currently is in Year Two of Program activity.

**(10) Indirect Cost**

Jhpiego has an approved Negotiated Indirect Cost Rate Agreement ("NICRA") which establishes the following indirect cost rates:

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

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA00007  
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For the Period of October 14, 2020 through October 31, 2021

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

Type	Effective Period		Indirect Cost Rate		
	From	Through	Other Sponsored Activities	Fringe Benefit	
			Home/Expat	Home	Field
<b>Fixed</b>	07/01/2020	06/30/2021	n/a	28.00%	8.00%
<b>Provisional</b>	07/01/2020	Until Amended	n/a	28.00%	8.00%
<b>Predetermined</b>	07/01/2019	06/30/2023	17.00%	n/a	n/a

#### (11) Subsequent Events

Jhpiego Corporation has performed an analysis of the activities and transactions subsequent to the October 14, 2020 through October 31, 2021 period covered by the Statement. Management has performed their analysis through October 28, 2022.

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

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA00007  
Awarded by the United States Agency for International Development/Afghanistan  
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For the Period of October 14, 2020 through October 31, 2021

### Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>

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#### **(A) Personnel and Fringe Benefits**

Jhpiego reported a total of \$3,386,979 for Personnel costs and \$1,111,380 in associated Fringe Benefits costs for the period of October 14, 2020 through October 31, 2021. During our audit of these costs, we noted:

- Five (5) instances where Cooperating Country National (CCN) or Third Country National (TCN) salaries were overcharged to the Program based on the timesheet and payroll percentage. This resulted in ineligible direct costs of \$4,052 in Personnel costs and \$1,836 in associated Fringe Benefit costs. See **Finding No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where the post differential and danger pay for headquarters staff was overcharged to the Program based on the level of effort report and salary allocation. This resulted in ineligible direct costs of \$1,303 in Personnel costs and \$104 in associated Fringe Benefits costs. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where headquarters staff salary and fringe benefits were reversed; however, the associated supplemental items such as danger pay, post differential, and other supplements, were still charged to the Program. This resulted in ineligible direct costs of \$126 in Personnel costs and \$10 in associated Fringe Benefits costs. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.

The above instances resulted in a total of \$7,431 in ineligible direct Personnel and Fringe Benefits costs.

#### **(B) Travel**

Jhpiego reported a total of \$217,909 in Travel costs for the period of October 14, 2020 through October 31, 2021. During our audit of these costs, we noted:

- One (1) instance where travel costs from another program were charged to UHI. This resulted in ineligible direct costs of \$653. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.

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<sup>2</sup> The Notes to 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 Special Purpose Financial Statement.

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA00007  
Awarded by the United States Agency for International Development/Afghanistan  
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For the Period of October 14, 2020 through October 31, 2021

### Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>

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- One (1) instance where lodging costs were not properly supported. This resulted in unsupported direct costs of \$643. See **Finding No. 2022-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The above instances resulted in a total of \$1,296 in questioned direct Travel costs.

#### **(C) Materials & Supplies**

Jhpiego reported a total of \$458,998 in Materials & Supplies costs for the period of October 14, 2020 through October 31, 2021.

During our audit of these costs, we noted:

- Three (3) instances where electricity costs were not allocated among all running programs in the Afghanistan office and costs were charged 100% to UHI. This resulted in ineligible direct costs of \$1,015.
- One (1) instance where a membership fee was not allocated among all running programs in Afghanistan during the audit period and the cost was charged 100% to UHI. This resulted in ineligible direct costs of \$205.

The above instances resulted in a total of \$1,220 in ineligible direct Materials & Supplies costs. See **Finding No. 2022-03** in the *Schedule of Findings and Questioned Costs* section of this report.

#### **(D) Indirect Costs**

Jhpiego reported a total of \$1,148,764 for Indirect Costs for the period of October 14, 2020 through October 31, 2021. The indirect costs associated with questioned costs identified in **Notes A, B, and C** above resulted in total ineligible indirect costs of \$1,581 and total unsupported indirect costs of \$109. This resulted in total questioned indirect costs of \$1,690.

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<sup>2</sup> The Notes to 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 Special Purpose Financial Statement.



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
Jhpiego Corporation  
Baltimore, MD

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

We have audited, the Special Purpose Financial Statement ("Statement") and related notes to the Statement, 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, by Jhpiego Corporation ("Jhpiego") under Cooperative Agreement No. 72030620CA00007 ("Agreement") in support of the Urban Health Initiative Program for the period of October 14, 2020 through October 31, 2021. We have issued our report thereon dated October 28, 2022 with an unmodified opinion.

### Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of October 14, 2020 through October 31, 2021, we obtained an understanding of Jhpiego's internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Special Purpose Financial Statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

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

deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs*. Finding 2022-01, 2022-02 and 2022-03 are considered to be significant deficiencies, and finding 2022-04 is considered to be a deficiency.

### **Jhpiego's Response to Findings**

Jhpiego's response to the findings identified in our audit is included verbatim at the *Appendix A*. Jhpiego's response 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 internal control, and the result of that testing, and not to provide an opinion on the effectiveness of Jhpiego'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 Jhpiego Corporation, the United States Agency for International Development/Afghanistan, 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 the Special Inspector General for Afghanistan Reconstruction in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.



Lake Forest, California  
October 28, 2022



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors  
Jhpiego Corporation  
Baltimore, MD

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

We have audited, the Special Purpose Financial Statement ("Statement") and related notes to the Statement, 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, by Jhpiego Corporation ("Jhpiego") under Cooperative Agreement No. 72030620CA00007 ("Agreement") in support of the Urban Health Initiative Program, for the period of October 14, 2020 through October 31, 2021. We have issued our report thereon dated October 28, 2022 with an unmodified opinion.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jhpiego'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 Agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2022-01, 2022-02, 2022-03, and 2022-04.

### Jhpiego's Response to Findings

Jhpiego's response to the findings identified in our audit is included verbatim at the *Appendix A*. Jhpiego's response 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 Jhpiego Corporation, the United States Agency for International Development/Afghanistan, 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 the Special Inspector General for Afghanistan Reconstruction in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, slightly stylized font.

Lake Forest, California  
October 28, 2022

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA00007  
Awarded by the United States Agency for International Development/Afghanistan  
for the Urban Health Initiative Program

For the Period of October 14, 2020 through October 31, 2021

### Schedule of Findings and Questioned Costs

**Finding 2022-01: Incorrect salary allocation due to payroll calculation errors**

**Nature of Finding:** Non-Compliance; Internal Control – Significant Deficiency

**Condition:** Conrad tested 600 samples out of 5,552 transactions in the Personnel cost category, representing 94 out of 296 employees, and 560 samples out of 5,432 transactions in the associated Fringe Benefits cost category to determine if Personnel costs and Fringe Benefits incurred under the Agreement were adequately supported, accurate, and properly approved. The tested personnel transactions represented \$684,009 of a total \$3,386,979 and the tested fringe benefits transactions represented \$255,313 of a total \$1,111,380 for these transactions.

In 5 out of the 600 samples tested for Personnel and 5 out of the 560 samples tested for Fringe Benefits costs, Jhpiego overcharged Cooperating Country National (CCN) and Third Country National (TCN) Personnel and Fringe Benefits costs to the UHI Program by charging an amount that exceeded the actual cost incurred on the Program for each of the staff listed in the issues below. The ineligible cost amounts are as follows:

Issue #	Employee Type	Description	Ineligible Costs	
			Personnel	Fringe Benefits
1	CCN	Jhpiego charged 30% more in payroll costs than what was recorded in the employee's timesheet working under the UHI Program	\$ 226	\$ 91
2	CCN		319	128
3	CCN		264	106
4	TCN	Jhpiego charged 21% more in payroll costs than what was recorded in the employee's timesheet working under the UHI Program	3,195	1,492
5	CCN	Jhpiego charged 6% more in payroll costs than what was recorded in the employee's timesheet working under the UHI Program	48	19
Total Direct Costs			\$ 4,052	\$ 1,836
Associated Indirect Costs (17%)			689	312
<b>Total Questioned Costs</b>			<b>\$ 4,741</b>	<b>\$ 2,148</b>

## Jhpiego Corporation

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### Schedule of Findings and Questioned Costs

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#### Criteria:

**Jhpiego Employment Policies Employee's Manual, Afghanistan Country Office**, in part, states:

*"F. Time Sheet/Pay Period*

*Each employee is required to maintain a time sheet recording her/his attendance for the month. Salary computation is based on the time sheet and overtime record, which must be submitted for the supervisor's approval each month. The employee must submit the approved timesheet to the HR department prior to end of each month."*

**Jhpiego Country Office Policies and Procedures, Direct Charging Policy**, in part, states:

*"...It is the responsibility of CDs [Country Directors], COPs [Chiefs of Party], program officers, and Jhpiego's entire management team to ensure that only valid, direct costs are charged to sponsored awards..."*

*Allocable: Is an expense to a particular sponsored award to the extent in which the sponsored program benefits from the expense. Expenditures should be allocated to accounts in accordance to the benefit or use to be expected from the good or services..."*

*Jhpiego country office staff will direct charge their salary based on their expended effort. Therefore, staff must complete their time sheet on a regular basis. Staff who provide support services across multiple awards are required to identify the programs benefited and charge their time across these awards on monthly time sheets..."*

**2 CFR 200.303, Internal Controls**, in part, states:

*"The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."*

**2 CFR 200.403, Factors affecting allowability of costs**, in part, states:

*"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*

*(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*

*(g) Be adequately documented..."*

(Continued)

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
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### Schedule of Findings and Questioned Costs

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**Cause:** Jhpiego did not perform sufficient oversight in its payroll and disbursement processes to ensure that payroll costs and associated fringe benefits costs were allocated to the Program in proportion to the hours the employee worked on UHI.

**Effect:** The U.S. Government overpaid for payroll and associated fringe benefit costs.

**Questioned Costs:** We identified \$5,888 in ineligible costs and \$1,001 in associated indirect costs, which resulted in \$6,889 in total questioned costs.

**Recommendation:**

- (1) We recommend that Jhpiego either provide USAID with support demonstrating the questioned costs are allocable to UHI or return the ineligible and associated indirect costs of \$6,889.
- (2) We recommend that Jhpiego develop procedures to ensure additional layer of supervisory review over timesheets, payroll workbooks and salary allocations to ensure these costs are allocated and charged correctly to the various programs.

## Jhpiego Corporation

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### Schedule of Findings and Questioned Costs

**Finding 2022-02: Ineligible costs were charged to the Program**

**Nature of Finding:** Non-Compliance; Internal Control – Significant Deficiency

**Condition:** Conrad tested 600 samples out of 5,552 transactions in the Personnel cost category, representing 94 out of 296 employees, and 560 samples out of 5,432 transactions in the associated Fringe Benefits cost category to determine if Personnel costs and Fringe Benefits incurred under the Agreement were adequately supported, accurate, and properly approved. The tested personnel transactions represented \$684,009 of a total \$3,386,979 and the tested fringe benefits transactions represented \$255,313 of a total \$1,111,380 for these transactions.

In 2 out of the 600 samples tested for Personnel and 2 out of the 560 samples tested for Fringe Benefits costs, Jhpiego overcharged Headquarters (HQ) employees Personnel and Fringe Benefit costs to the UHI Program. Jhpiego charges personal costs for HQ staff based on a level of effort certification. For 1 sample tested Jhpiego overcharged the post differential and danger pay according to the level of effort certification. For the second sample, Jhpiego overcharged danger pay for a HQ staff by not reversing out this cost. The ineligible post differential and danger pay, and their associated fringe benefits cost amounts are as follows:

Issue #	Employee Type	Description	Ineligible Costs	
			Personnel	Associated Fringe Benefits
1	HQ	Jhpiego charged 100% post differential and danger pay for two months of an employee's time when the level of effort report for this employee showed 15% combined for the six-month period	\$ 1,303	\$ 104
2	HQ	Jhpiego reversed a portion of this employee's salary however did not reverse out the associated danger pay	126	10
Total Direct Costs			\$ 1,429	\$ 114
Associated Indirect Costs (17%)			243	19
<b>Total Questioned Costs</b>			<b>\$ 1,672</b>	<b>\$ 133</b>

Conrad also tested 29 samples out of 1,384 transactions in the Travel cost category to determine if travel costs incurred under the Agreement were adequately supported, accurate, and properly approved. The tested travel transactions represented \$57,587 of a total \$217,909 for these transactions. In 1 out of the 29 samples tested for travel costs, Jhpiego incorrectly charged costs from a different program to the UHI Program. This resulted in ineligible costs in the amount of \$653 and associated indirect costs of \$111.

# Jhpiego Corporation

Financial Audit of Costs Incurred Under  
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## Schedule of Findings and Questioned Costs

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### Criteria:

**Jhpiego Country Office Policies and Procedures, Direct Charging Policy**, in part, states:

*“Sponsored awards may be charged directly for costs that are allowable, allocable, reasonable, and treated consistently, in conformance with 2 CFR 200...”*

*It is the responsibility of CDs [Country Directors], COPs [Chiefs of Party], program officers, and Jhpiego’s entire management team to ensure that only valid, direct costs are charged to sponsored awards...*

*Allocable: Is an expense to a particular sponsored award to the extent in which the sponsored program benefits from the expense. Expenditures should be allocated to accounts in accordance to the benefit or use to be expected from the good or services...”*

**Jhpiego Country Office Policies and Procedures, c. Country Director’s Role**, in part, states:

*“1. Prime Role...”*

- *Ensure that all expenses are allowable and charged appropriately...”*

**Jhpiego/Afghanistan, Local Travel Policy**, in part, states:

*“Summary of Responsibilities...”*

*Finance Administrator: Reviews and verifies that the appropriate documentation is available and issues advances for approved TARs. The Finance Administrator receives travel expense claims, reviews, provides feedback to the claimant if necessary, and ensures that all expenses claimed are reasonable, necessary, and appropriate to Jhpiego’s mission, prior to processing payment...*

*Section D, Cost Reimbursement, 3. Expense Report:...*

*The expense report should be prepared by the traveler, and reviews and approvals are done by the Finance Manager.”*

**2 CFR 200.303, Internal Controls**, in part, states:

*“The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award...”*

**2 CFR 200.403, Factors affecting allowability of costs**, in part, states:

(Continued)

## Jhpiego Corporation

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### Schedule of Findings and Questioned Costs

---

*“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*

*(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*

*(g) Be adequately documented...”*

#### **2 CFR 200.413 Direct costs, states in part:**

*“...(b) Application to Federal awards... Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award...”*

**Cause:** Due to insufficient management oversight in place, the Country Director and management did not properly perform its primary responsibility to ensure only allowable costs were charged to the Program.

**Effect:** The U.S. Government overpaid for payroll costs, associated fringe benefit costs, and travel costs.

**Questioned Costs:** We identified \$2,196 in ineligible costs and \$373 in associated indirect costs, which resulted in \$2,569 in total questioned costs.

#### **Recommendation:**

- (1) We recommend that Jhpiego either provide USAID with support demonstrating the questioned costs are allocable to UHI or return the ineligible and associated indirect costs of \$2,569.
- (2) We recommend that Jhpiego develop additional guidance to improve monitoring allowances, danger pay and post differentials, and travel costs so that they are properly charged to the programs they are supporting.

(Continued)

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
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### Schedule of Findings and Questioned Costs

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#### **Finding 2022-03: Allocation methodology was not used to allocate shared costs among all programs in Afghanistan**

**Nature of Finding:** Non-Compliance; Internal Control – Significant Deficiency

**Condition:** Conrad tested 31 samples out of 1,634 transactions in the Materials and Supplies cost category to determine if materials and supplies incurred under the Agreement were adequately supported, accurate, and properly approved. The tested material and supplies transactions represented \$132,624 of a total \$458,998 for these transactions.

- In 3 out of the 31 samples tested for materials and supplies costs, Jhpiego did not allocate electricity costs among the five active programs in the Afghanistan office, instead allocating all such costs only to the UHI Program. Jhpiego provided a monthly allocation analysis of costs incurred under each active program during the audit period. As a result, Conrad identified electricity costs that were not properly allocated to other active programs, resulting in ineligible costs in the amount of \$1,015.
- In 1 out of the 31 samples tested for materials and supplies costs, Jhpiego did not allocate the Agency Coordinating Body for Afghan Relief (“ACBAR”) membership fee among the five active programs in the Afghanistan office, instead allocating all such costs only to the UHI Program. Jhpiego provided a monthly allocation analysis of costs incurred under each active program during the audit period. Conrad noted that the membership fee was not allocated to all active programs, resulting in ineligible costs in the amount of \$205.

#### **Criteria:**

**Jhpiego Country Office Policies and Procedures, Direct Charging Policy**, in part, states:

*“Sponsored awards may be charged directly for costs that are allowable, allocable, reasonable, and treated consistently, in conformance with 2 CFR 200...”*

*It is the responsibility of CDs [Country Directors], COPs [Chiefs of Party], program officers, and Jhpiego’s entire management team to ensure that only valid, direct costs are charged to sponsored awards...*

*Allocable: Is an expense to a particular sponsored award to the extent in which the sponsored program benefits from the expense. Expenditures should be allocated to accounts in accordance to the benefit or use to be expected from the good or services...*

*All expenses incurred at field offices (defined as offices outside of the primary country office, such as satellite, provincial, district, and state-level offices) are to be direct charged.”*

(Continued)



## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
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### Schedule of Findings and Questioned Costs

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#### **2 CFR 200.405, Allocable Costs**, in part, states:

*“(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:*

*(1) Is incurred specifically for the Federal award ...*

*(d) Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”*

#### **2 CFR 200.303, Internal Controls**, in part, states:

*“The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”*

**Cause:** Jhpiego did not follow their policy for charging direct costs and as such did not allocate shared costs among programs running simultaneously. Jhpiego did not follow their policy for allocating shared costs on a monthly basis.

**Effect:** The U.S. Government overpaid for utility and membership costs.

**Questioned Costs:** We identified \$1,220 in ineligible costs and \$207 in associated indirect costs, which resulted in \$1,427 in total questioned costs.

#### **Recommendation:**

- (1) We recommend that Jhpiego either provide USAID with support demonstrating the questioned costs are allocable to UHI or return \$1,427 in ineligible costs.
- (2) We recommend that Jhpiego develop additional guidance to improve monitoring of costs typically shared among various concurrent programs so that costs are allocated properly and in accordance with the organization’s policies and procedures.

(Continued)

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA00007  
Awarded by the United States Agency for International Development/Afghanistan  
for the Urban Health Initiative Program

For the Period of October 14, 2020 through October 31, 2021

### Schedule of Findings and Questioned Costs

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#### **Finding 2022-04: Unsupported lodging costs were charged to the Program**

**Nature of Finding:** Non-Compliance; Internal Control – Deficiency

**Condition:** Conrad tested 29 samples out of 1,384 transactions in the Travel cost category to determine if travel costs incurred under the Agreement were adequately supported, accurate, and properly approved. The tested travel transactions represented \$57,587 of a total \$217,909 for these transactions. In 1 out of the 29 samples tested for travel costs, Jhpiego could not provide evidence that payment for lodging with family member was received by the family member. This resulted in unsupported costs in the amount of \$643.

**Criteria:**

**Jhpiego/Afghanistan Local Travel Policy, Domestic Travel**, in part, states:

*“3. Hotel/Lodging*

*Travelers are expected to pay their accommodations from their advanced money and obtain original receipts for reconciliation.*

*Traveler who stays with their family, relatives and/or friends will be eligible to only receive Afs 750, and if accompanied by the Mahram Afs 1500 per night...*

*For Jhpiego Afghanistan staff Itemized hotel bills are to be submitted when requesting reimbursement for hotel expense. Monthly statements and non-itemized hotel bills ordinarily will not be accepted as documentation of travel or business expenses.”*

**Jhpiego/Afghanistan Local Travel Policy, Cost Reimbursement**, in part, states:

*“Lodging/Accommodation*

*Travelers are expected to stay at reasonably comfortable, safe and secure locations.*

*Traveler must obtain itemized receipt showing the actual cost for their lodging...”*

**2 CFR 200.475(b) Lodging and subsistence**, in part, states:

*“Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity’s written travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:*

(Continued)

## Jhpiego Corporation

Financial Audit of Costs Incurred Under  
Cooperative Agreement No. 72030620CA00007  
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for the Urban Health Initiative Program

For the Period of October 14, 2020 through October 31, 2021

### Schedule of Findings and Questioned Costs

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(1) *Participation of the individual is necessary to the Federal award; and*

(2) *The costs are reasonable and consistent with non-Federal entity's established travel policy.*"

**2 CFR 200.403, Factors affecting allowability of costs**, in part, states:

*"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*

*(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*

*(g) Be adequately documented..."*

**Cause:** Jhpiego did not require staff who stayed at a family member's home while traveling to provide a receipt or other proof that lodging costs had been paid to that family member. Jhpiego did not follow its policy requiring original receipts for lodging and has no policy guidance for how to document lodging payments when an employee on travel stays with relatives instead of in a hotel.

**Effect:** Unsupported payments for lodging resulted in overpayment of travel costs by the U.S. Government.

**Questioned Costs:** We identified \$643 in unsupported costs and \$109 in associated indirect costs, which resulted in \$752 in total questioned costs.

**Recommendation:**

- (1) We recommend that Jhpiego either provide USAID with support demonstrating the family member received the lodging payment or return \$752 in unsupported costs.
- (2) We recommend that Jhpiego develop policy and procedures to ensure its employees are collecting receipts and/or proof of payment when an employee is staying with their relatives for business travel.

(Continued)

## Jhpiego Corporation

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For the Period of October 14, 2020 through October 31, 2021

### **Status of Prior Audit Findings**

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We requested prior audit reports, evaluations, and reviews from Jhpiego, SIGAR, and USAID pertaining to Jhpiego and activities under this Agreement and other Government funded awards. We identified one prior audit report conducted on behalf of SIGAR. Based on our review of this report, we identified two findings and recommendations that could have a material effect on the SPFS and other financial data significant to the audit objectives. Our review procedures included a follow up discussion with Jhpiego's management, as well as conducting similar tests surrounding the identified areas during our current audit. We have summarized the results of our procedures below:

- (1) SIGAR Financial Audit 19-28 (USAID's Helping Mothers and Children Thrive Program: Audit of Costs Incurred by Jhpiego Corporation) – An audit of costs for the period of July 1, 2015 through June 30, 2017.

#### **Finding 2018-01: Improper Foreign Currency Conversion:**

**Issue:** The audit firm noted that Jhpiego was unable to provide supporting documentation for the local bank conversion rate used in a random sample of 25 foreign currency conversions worth a total of USD \$5,676,472. This resulted in a net overcharge of \$3,301 to the U.S. government.

**Status:** For the current engagement, we noted that Jhpiego did not have any repeated issues related to foreign currency conversions. It appears that adequate controls have been put into place. As such, we concluded that Jhpiego has taken adequate corrective action on this finding.

#### **Finding 2018-02: Funds in Excess of Cash**

**Issue:** The audit firm noted that Jhpiego drew down funds in excess of its 30 day needs in violation of federal requirements. No evidence was provided of prior approval from the USAID/Agreement Officer to allow for advances in excess of 30 days, authorization for Jhpiego to retain interest, or annual remittance to the U.S. Treasury of interest earned on advances.

**Status:** For the current engagement, we noted that Jhpiego drew down \$1.8 million in funds as an advance, but this was due to the funding source account expiring in 2020. This funding source was added to the Agreement through modification #1. It appears that adequate controls have been put into place. As such, we concluded that Jhpiego has taken adequate corrective action on this finding.

**Jhpiego Corporation**

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For the Period of October 14, 2020 through October 31, 2021

**Jhpiego's Responses to Audit Findings**

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Included on the following page are Jhpiego's responses received to the findings identified in this report.



October 24, 2022

Conrad  
23161 Lake Center Drive, Suite 200  
Lake Forest, CA 92630

Dear Jacquelyn,

Please find Jhpiego's management response below to the Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA0000. Please let me know if you have questions.

**Jhpiego's Management Response**

**Finding 2022-01:**

We agree with both recommendations. Jhpiego's policy states that salaries and fringe benefits are charged to programs based on timesheets for local staff. Moving forward, Jhpiego will expand the current segregation of duties amongst the team members and add additional pair of eyes to ensure fair allocation of costs amongst ongoing projects. We will closely review the timesheets to ensure salaries and fringe charged to programs are aligned.

**Finding 2022-02:**

Jhpiego agrees with this finding. The salaries and associated fringe costs were adjusted but Jhpiego did not adjust the danger pay. Moving forward, we will strengthen current cost allocation processes and ensure all programs are charged with their fair share.

**Finding 2022-03:**

Jhpiego agrees with this finding. Jhpiego uses a month end allocation process to allocate shared costs among all active programs. Because the USAID funding program was by far the largest program in Afghanistan, the Afghanistan office did not allocate costs according to Jhpiego's policy. Moving forward, we will enhance existing cost allocation processes, train team members and ensure costs are allocated properly.

**Finding 2022-04:**

Jhpiego accepts this finding, although the intent was not to have employees pay family members. During the Taliban take-over, Jhpiego implemented a policy providing a small lump sum payment to employees when they were required to travel for program activities. For security reasons, Jhpiego allowed staff to stay with family members instead of hotels. Jhpiego will revisit our revised travel policy to determine if the security situation in Afghanistan now permits staff to safely stay in hotels and provide hotel receipts.

Sincerely,

Terry Padgett

Deputy CFO Compliance, Jhpiego

Johns Hopkins University Affiliate

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**Jhpiego Corporation**

Financial Audit of Costs Incurred Under  
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**Auditor's Rebuttal to Jhpiego's Responses to Audit Findings**

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Jhpiego agreed with Findings No. 2022-01, 2022-02, and 2022-03. Jhpiego partially agreed with Finding No. 2022-04. We have reviewed Jhpiego's responses and have the following rebuttals:

- (1) **Finding No. 2022-01**: Jhpiego agreed with the finding and recommendations. Jhpiego stated that it will expand the current segregation of duties to ensure fair allocation of costs among ongoing projects by closely reviewing timesheets to ensure salaries and fringe charged to programs are aligned.  
**Auditor Rebuttal**: No further comment is deemed necessary as Jhpiego agreed with the finding and recommendations.
- (2) **Finding No. 2022-02**: Jhpiego agreed with the finding and recommendations. Jhpiego stated that it will strengthen current cost allocation processes and ensure all programs are charged with their fair share.  
**Auditor Rebuttal**: No further comment is deemed necessary as Jhpiego agreed with the finding and recommendation.
- (3) **Finding No. 2022-03**: Jhpiego agreed with the finding and recommendations. Jhpiego stated it will enhance existing cost allocation processes and train team members to ensure costs are allocated properly.  
**Auditor Rebuttal**: No further comment is deemed necessary as Jhpiego agreed with the finding and recommendation.
- (4) **Finding No. 2022-04**: Jhpiego partially agreed with the finding and recommendations. Jhpiego accepted the finding but stated that the intent of their policy was not to have employees pay family members when staff were allowed to stay with family members instead of at hotels. Jhpiego stated it will review and revise the Jhpiego Afghanistan Travel Policy Revised December 2017 to determine if the security situation in Afghanistan will allow staff to stay in hotels and provide hotel receipts.  
**Auditor Rebuttal**: Although Jhpiego indicated that the intent was not to have employees pay family members when staying at the family members home, the lodging payments were not supported with receipts as required per Jhpiego's policy. As such, our finding and recommendations remain unchanged.

## 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 publicly 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 International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## SIGAR's Mission

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