

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 25-14 Financial Audit

USAID's

: Audit of Costs Incurred by

In accordance with legal requirements, SIGAR has redacted from this report certain information because it is proprietary, could impact public safety, privacy, or security, or is otherwise sensitive.



JANUARY
2025

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On December 16, 2022, the U.S. Agency for International Development (USAID) awarded a \$36,000,000 grant to [REDACTED]

[REDACTED] to provide [REDACTED]. The grant's purpose was to provide support to vulnerable households and communities affected by conflict and natural disasters, in order to meet their basic needs, such as health, nutrition and water, sanitation, and hygiene services. The grant's period of performance was from December 19, 2022, through November 18, 2024. USAID modified the agreement once, which did not change the funding nor the period of performance.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$16,220,118 in costs charged to the agreement from December 19, 2022, through November 30, 2023. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in [REDACTED] internal controls related to the award; (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 [REDACTED] has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of [REDACTED] 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.

January 2025

USAID's [REDACTED]

: Audit of Costs Incurred by [REDACTED]

SIGAR 25-14-FA

WHAT SIGAR FOUND

Conrad identified four significant deficiencies in [REDACTED] internal controls and four instances of noncompliance with the terms of the agreement. Conrad found that [REDACTED] charged the U.S. government for bank charges related to other programs, which resulted in ineligible charges. [REDACTED] has acknowledged this overcharging. Conrad also found that [REDACTED] did not provide supporting documentation for 37 transactions that demonstrate [REDACTED] used an equitable allocation methodology. As result, the government was overcharged. [REDACTED] has acknowledged that the Direct Labor and Fringe transactions did not comply with their policies and procedures. In addition, [REDACTED] overcharged the program due to an inaccurate exchange rate used by a subcontractor, which resulted in ineligible costs charged to the program. [REDACTED] has agreed that the subcontractor used an incorrect exchange rate. SIGAR notified [REDACTED] of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$152,307 in total questioned costs. The questioned costs consisted of \$45,856 in unsupported costs—costs not supported with adequate documentation or that do not have required prior approval, and \$106,451 in ineligible costs—costs prohibited by the agreement or applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Labor	\$0	\$2,472	\$2,472
Fringe	\$0	\$14,377	\$14,377
Supplies	\$8	\$2,688	\$2,696
Construction	\$153	\$307	\$460
Other Direct Costs	\$50,285	\$17,486	\$67,771
Program Costs	\$26,620	\$0	\$26,620
Sub-agreements	\$11,010	\$0	\$11,010
Indirect Costs	\$18,375	\$8,526	\$26,901
Total Costs	\$106,451	\$45,856	\$152,307

Conrad identified two prior audit reports containing 12 findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Conrad conducted follow-up procedures and concluded that [REDACTED] had taken adequate corrective action on 11 findings. One finding was not adequately addressed and is repeated under this audit.

Conrad issued an unmodified opinion on [REDACTED] SPFS, noting that 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, \$152,307 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's four internal control findings.
3. Advise [REDACTED] to address the report's four noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

January 17, 2025

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

Ms. Sonali Korde
Assistant to the Administrator of USAID's
Bureau for Humanitarian Assistance

We contracted with Conrad LLP (Conrad) to audit the costs incurred by [REDACTED] under a grant awarded by the U.S. Agency for International Development (USAID) to provide [REDACTED].¹ The grant's purpose was to provide support to vulnerable households and communities affected by conflict and natural disasters, in order to meet their basic needs, such as health, nutrition and water, sanitation, and hygiene services. Conrad reviewed \$16,220,118 in costs charged to the grant from December 19, 2022, through November 30, 2023. 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 agreement officer at USAID:

1. Determine the allowability of and recover, as appropriate, \$152,307 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's four internal control findings.
3. Advise [REDACTED] 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 [REDACTED] 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 December 17, 2024, and the conclusions expressed therein. However, our review disclosed no instances in which 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 planned completion for the recommendations to 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-295)

¹ The agreement no. is [REDACTED].

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the

[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Table of Contents

	Page
Transmittal Letter	
Background	1
Work Performed	1
Objectives, Scope, and Methodology	2
Summary of Results	5
Review of Prior Findings and Recommendations	7
Summary of [REDACTED] Responses to Findings	7
Independent Auditor's Report on the Special Purpose Financial Statement	8
Special Purpose Financial Statement	11
Notes to the Special Purpose Financial Statement	12
Notes to Questioned Costs Presented on the Special Purpose Financial Statement	14
Independent Auditor's Report on Internal Control	17
Independent Auditor's Report on Compliance	19
Schedule of Findings and Questioned Costs	21
Status of Prior Audit Findings	32
Appendices:	
Appendix A: [REDACTED] Responses to Audit Findings	36
Appendix B: Auditor's Rebuttal to [REDACTED] Responses to Audit Findings	42



December 17, 2024

Board of Directors
[REDACTED]

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

Conrad LLP (Conrad or we) hereby provides to you our final report, which reflects results from the procedures we completed during our audit of [REDACTED] Special Purpose Financial Statement under Grant Agreement No. [REDACTED] awarded by the U.S. Agency for International Development's Bureau of Humanitarian Assistance for the period of December 19, 2022 through November 30, 2023, supporting the [REDACTED]

On October 28, 2024, we provided SIGAR with a draft report reflecting our audit procedures and results. [REDACTED] ([REDACTED]) received a copy of the report on December 17, 2024 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 [REDACTED] responses and our corresponding auditor analysis 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 Grant Agreement.

Sincerely,

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

Sam Perera, CPA, CFE, CITP, CGMA
Partner

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Background

On December 16, 2022, the U.S. Agency for International Development's Bureau of Humanitarian Assistance (USAID/BHA) awarded an initial \$36,000,000 Grant Agreement No. [REDACTED] (Agreement) to [REDACTED] () to support the [REDACTED]
[REDACTED]

The purpose of the agreement was to provide support to vulnerable households and communities affected by conflict and natural disasters and to meet their basic needs through increasing access to integrated, gender sensitive and age-appropriate multipurpose cash assistance, protection, health, nutrition and water, sanitation, and hygiene services.

The initial award amount was [REDACTED] for the period of performance from December 19, 2022, through November 18, 2024. USAID modified the agreement once; the modification did not change the period of performance nor the total funding.

Summary of Grant Agreement

Grant 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
[REDACTED]	\$36,000,000	12/19/22	11/18/24	1	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 [REDACTED] Special Purpose Financial Statement (SPFS) for revenue received and costs incurred under the Program totaling \$16,220,118, for the period December 19, 2022, through November 30, 2023.

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Objectives, Scope, and Methodology

Audit Objectives

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

- *Special Purpose Financial Statement* – Express an opinion on whether [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] has taken adequate corrective action to address findings and recommendations from 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 during the period of December 19, 2022, through November 30, 2023, totaling \$16,220,118, under the agreement. Our testing of the indirect cost charged to the agreement was limited to determining that the indirect cost was 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:

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Entrance Conference

An entrance conference was held on March 5, 2024, with representatives of [REDACTED], Conrad, SIGAR, and USAID/BHA participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of 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 [REDACTED]. The scope of our audit includes [REDACTED]'s management and employees, internal and external factors that affected operations, accounting policies and procedures. We gained an understanding of [REDACTED] through interviews, observations, and reading policies and procedure manuals. 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 were specific to the agreement's requirements, such as 2 CFR 200 Subpart E Cost Principles, USAID Automated Directives System (ADS) Chapter 303, Grants and Cooperative Agreements to Non-Government Organizations;
 - Audited financial statements; and
 - Previous SIGAR and USAID financial audit reports;
- 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 were 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;

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

- 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 negotiated indirect cost rates to ensure that the rate was accurately applied.

Internal Controls Related to the agreement

We reviewed [REDACTED]'s internal controls related to the agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of [REDACTED]'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 [REDACTED] complied, in all material respects, with the agreement requirements, 2 CFR 200, ADS 303, 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 prior audit reports from [REDACTED] and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on [REDACTED]'s SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on [REDACTED]'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 32.

Exit Conference

An exit conference was held on October 10, 2024, via conference call. Participants included representatives from Conrad, [REDACTED], SIGAR, and USAID/BHA. During the exit conference, we discussed the preliminary results of the audit and reporting process.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Summary of Results

We have summarized the details of these results in the 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 \$152,307 in total questioned costs, which comprised \$106,451 in ineligible costs and \$45,856 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 [REDACTED]'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

Our audit identified four (4) internal control findings. All four (4) internal control findings are considered to be significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 17.

Compliance

The results of our testing identified four (4) instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 19.

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. [REDACTED] self-disclosed nineteen (19) instances of alleged fraud that could have a potential impact on the Program and the SPFS. Based on further discussions with [REDACTED] and review of the alleged incidences of fraud, an internal investigation into these allegations was conducted by [REDACTED] and the results found that there was no monetary or material effect to the Program or the SPFS during

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

the period under review. As such, there are no further communications warranting additional consideration.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2024-01	Non-compliance and Internal Control – Significant Deficiency	Unallowable costs were charged to the Program.	\$ 94,350	\$ -	\$ 94,350
2024-02	Non-compliance and Internal Control – Significant Deficiency	Lacked supporting documentation to show an equitable allocation methodology.	-	45,856	140,206
2024-03	Non-compliance and Internal Control – Significant Deficiency	Subcontractor used an incorrect exchange rate.	11,783	-	151,989
2024-04	Non-compliance and Internal Control – Significant Deficiency	Amount charged to the General Ledger does not match the supporting documentation.	318	-	152,307
Total Questioned Costs			\$ 106,451	\$ 45,856	\$ 152,307

(Continued)

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from [REDACTED], SIGAR, and USAID/BHA pertinent to [REDACTED]'s activities under the agreement. We identified two (2) prior audit reports that contained twelve (12) findings and associated 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 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. We concluded that [REDACTED] had taken adequate corrective action on the 11 (eleven) prior findings and did not address one finding which is repeated under this audit again. See *Status of Prior Audit Findings* on page 32 for a detailed description of the prior findings and recommendations.

Summary of [REDACTED]'s Responses to Findings

The following represents a summary of the responses provided by [REDACTED] to the findings identified in this report (the complete responses received can be found in *Appendix A* to this report):

- (1) **Finding 2024-01:** [REDACTED] agreed with this finding.
- (2) **Finding 2024-02:** [REDACTED] disagreed with a portion this finding and noted two (2) travel instances where there was no other active award at the time resulting in full allocation to the Program, one (1) instance showing a walkthrough of allocation methodology, and one (1) instance with a journal ledger showing the full maintenance cost amount.
- (3) **Finding 2024-03:** [REDACTED] agreed with this finding.
- (4) **Finding 2024-04:** [REDACTED] agreed with this finding.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
[REDACTED]

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of [REDACTED] ([REDACTED]) and the related notes to the Special Purpose Financial Statement (SPFS), with respect to the Grant Agreement No. [REDACTED] (agreement) awarded by the U.S. Agency for International Development's (USAID) Bureau of Humanitarian Assistance (BHA) to support the [REDACTED] for the period of December 19, 2022 through November 30, 2023.

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred, and balances for the indicated period of December 19, 2022, through November 30, 2023, in accordance with the terms of the agreement and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of [REDACTED], and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Presentation and Accounting

We draw attention to Note 2 and 3 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 2 to the Special Purpose Financial Statement, the statement is prepared by [REDACTED] 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.

Responsibilities of Management 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 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 it is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 [REDACTED]'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 17, 2024 on our consideration of [REDACTED]'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 these 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 [REDACTED]'s internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of [REDACTED], the U.S. Agency for International Development's Bureau of Humanitarian Assistance, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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 the United States Congress and 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.

Conrad LLP

Lake Forest, California
December 17, 2024

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	<u>Notes</u>
Revenues:						
[REDACTED]	\$ 36,000,000	\$ 15,122,088	\$ -	\$ -	\$ -	(7)
Total Revenue	<u>36,000,000</u>	<u>15,122,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs Incurred:						
Direct Labor	6,140,246	3,146,360	-	2,472	2,472	(A)
[REDACTED]	[REDACTED]	[REDACTED]	-	14,377	14,377	(A)
Travel and Per Diem	258,960	162,439	-	-	-	
Supplies	98,764	77,666	8	2,688	2,696	(B)
Construction	139,900	97,165	153	307	460	(C)
Other Direct Costs	2,267,618	1,199,913	50,285	17,486	67,771	(D)
Program Costs	5,983,709	2,374,371	26,620	-	26,620	(E)
Subagreements	14,899,776	5,961,416	11,010	-	11,010	(F)
[REDACTED]	[REDACTED]	[REDACTED]	18,375	8,526	26,901	(G)
Total Costs Incurred	<u>\$ 36,000,000</u>	<u>\$ 16,220,118</u>	<u>\$ 106,451</u>	<u>\$ 45,856</u>	<u>\$ 152,307</u>	
Outstanding Fund Balance	<u>\$ -</u>	<u>\$ (1,098,030)</u>				

¹ The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED].

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance
in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Notes to Special Purpose Financial Statement¹

(1) Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred under Grant Agreement No. [REDACTED] for the – [REDACTED] [REDACTED] for the period of December 19, 2022 to November 30, 2023. Because the Statement presents only a selected portion of the operations of [REDACTED], it is not intended to and does not present the financial position, changes in net assets, or cash flows of [REDACTED]. The information in this SPFS 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 agreement. Therefore, some amounts presented in this SPFS may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Basis of Accounting

Revenues and expenditures reported on the SPFS are reported on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Expenditures are recognized following the cost principles contained in 2 CFR 200, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Balance

[REDACTED] received US \$15,122,088.37 and reported a total expenditure of US \$16,220,117.50 during the scope of this audit resulting in an outstanding fund balance of (\$1,098,029.13). The outstanding fund balance amount (\$1,098,029.13) was billed to USAID and received by [REDACTED] in December 2023, outside of the audit period.

(4) Program Status

[REDACTED] is currently scheduled to run through November 18, 2024. The award is ongoing at the time of the audit.

(5) NICRA

[REDACTED] utilized a provisional NICRA per the latest agreement with our cognizant agency, USAID for indirect costs on the award. The provisional rate, and

¹ The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED].

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance
in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Notes to Special Purpose Financial Statement¹ (Continued)

subsequently this award, will be subject to adjustments once our NICRA rates for 2022 and forward have been finalized and approved by USAID.

(6) Foreign Currency Translation Method

For purposes of preparing the SPFS, translations from local currency to United States dollars were not required.

(7) Revenues

Revenues on the SPFS represent the amount of funds to which [REDACTED] is entitled to receive from the U.S. Agency for International Development's (USAID) Bureau of Humanitarian Assistance (BHA) for allowable, eligible costs incurred under the agreement during the period of performance.

(8) Costs Incurred by Budget Category

The budget categories presented, and associated amounts reflect the budget line items presented are within the current USAID/BHA approved budget for Grant Agreement No. [REDACTED].

(9) Currency

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

(10) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the December 19, 2022, through November 30, 2023, period covered by the SPFS. Management has performed their analysis through December 17, 2024

¹ The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED].

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Direct Labor / [REDACTED]

[REDACTED] reported a total of \$4,099,038 for Direct Labor and [REDACTED] for the period of December 19, 2022 to November 30, 2023. During our audit of these costs, we noted forty-five (45) instances where supporting documentation was not provided to show that the costs charged were related to the Program and or documentation was not provided to show an equitable allocation methodology. This resulted in unsupported costs of \$16,849. See **Finding No. 2024-02** in the *Schedule of Findings and Questioned Costs* section of this report.

(B) Supplies

[REDACTED] reported a total of \$77,666 for Supplies for the period of December 19, 2022 to November 30, 2023.

During our audit of these costs, we noted the following:

- One (1) instance where supporting documentation was not provided to show that the costs charged were related to the Program resulting in unsupported costs of \$2,688. See **Finding No. 2024-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where the amount charged to the General Ledger does not match the supporting documentation, which resulted in ineligible supplies costs of \$8. See **Finding No. 2024-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Supplies costs of \$2,696, consisting of \$8 in ineligible costs and \$2,688 in unsupported costs.

(C) Construction

[REDACTED] reported a total of \$97,165 for Construction for the period of December 19, 2022 to November 30, 2023.

During our audit of these costs, we noted the following:

² 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.

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²
(Continued)

- One (1) instance where [REDACTED] charged unallowable costs to the Program, which resulted in ineligible Construction costs of \$153. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where documentation was not provided to show an equitable allocation methodology, which resulted in unsupported Construction costs of \$307. See **Finding No. 2024-02** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Construction costs of \$460, consisting of \$153 in ineligible costs and \$307 in supported costs.

(D) Other Direct Costs

[REDACTED] reported a total of \$1,199,913 for Other Direct Costs for the period of December 19, 2022 to November 30, 2023.

During our audit of these costs, we noted the following:

- Five (5) instances where [REDACTED] charged unallowable costs were charged to the Program, which resulted in ineligible Other Direct Costs of \$50,285. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- Eight (8) instances where documentation was not provided to show an equitable allocation methodology, which resulted in unsupported Other Direct Costs of \$17,486. See **Finding No. 2024-02** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Other Direct Costs of \$67,771, consisting of \$50,285 in ineligible costs and \$17,486 in unsupported costs.

(E) Program Costs

[REDACTED] reported a total of \$2,374,371 for Program Costs for the period of December 19, 2022 to November 30, 2023.

² 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.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²
(Continued)

During our audit of these costs, we noted the following:

- Two (2) instances where [REDACTED] charged unallowable costs to the Program, which resulted in ineligible Program Costs of \$26,369. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where the amount charged to the General Ledger does not match the supporting documentation, which resulted in ineligible Program Costs of \$251. See **Finding No. 2024-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total ineligible Program Costs of \$26,620.

(F) Subagreements

[REDACTED] reported a total of \$5,961,416 for Subagreements for the period of December 19, 2022 to November 30, 2023. During our audit of these costs, we noted one (1) instance where a subcontractor used an incorrect exchange rate to charge costs to the Program, which resulted in ineligible Subagreement costs of \$11,010. See **Finding No. 2024-03** in the *Schedule of Findings and Questioned Costs* section of this report.

(G)

[REDACTED] reported a total of [REDACTED] for [REDACTED] for the period of December 19, 2022 to November 30, 2023. The associated [REDACTED] associated with questioned costs identified in **Notes A through F** above resulted in total questioned Indirect Costs of \$26,901, consisting of \$18,375 in ineligible costs and \$8,526 in unsupported costs.

² 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.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
[REDACTED]

To the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)
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 [REDACTED] () under Grant Agreement No. [REDACTED] (agreement) in support of the [REDACTED] for the period of December 19, 2022, through November 30, 2023. We have issued our report thereon dated December 17, 2024 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 December 19, 2022 through November 30, 2023, we considered [REDACTED] internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, we do not express an opinion on the effectiveness of [REDACTED] internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 identified four (4) deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Findings 2024-01, 2024-02, 2024-03, and 2024-04 are considered to be significant deficiencies.

Response to Findings

response to the findings identified in our audit is included verbatim at the *Appendix A*. 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 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 U.S. Agency for International Development's Bureau of Humanitarian Assistance, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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.

Conrad LLP

Lake Forest, California
December 17, 2024

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
[REDACTED]

To the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)
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 [REDACTED] () under Grant Agreement No. [REDACTED] (agreement) in support of the [REDACTED] for the period of December 19, 2022, through November 30, 2023. We have issued our report thereon dated December 17, 2024 with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether [REDACTED] 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 (4) 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 2024-01, 2024-02, 2024-03, and 2024-04.

Response to Findings

[REDACTED] response to the findings identified in our audit is included verbatim at the *Appendix A*. [REDACTED] 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 [REDACTED], the United States Agency for International Development's Mission to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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
December 17, 2024

(Continued)

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs

Finding 2024-01: Unallowable Costs Were Charged to the Program

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

Condition: Conrad tested a combined 112 out of 9,600 transactions in Construction, Other Direct Costs, and Program Costs representing \$1,505,833 out of a total of \$3,671,449 to determine if the costs were reasonable, adequately supported, allowable and properly approved. During our testing, we noted the following transactions were unallowable costs charged to the Program:

- Four (4) instances in Other Direct Costs where [REDACTED] acknowledged that the U.S. government was overcharged due to a booking error made on bank charges. This resulted in total questioned costs of \$30,698.

Description	Cost Categories	Instances	Ineligible Costs
Bank charges related to other Programs were erroneously booked to this Program. [REDACTED] acknowledged that this was a booking entry error and was incorrectly allocated.	Other Direct Costs	4	\$ 30,698
		4	\$ 30,698

- Three (3) instances in Construction, Other Direct Costs, and Program Costs where [REDACTED] did not properly reverse an unallowable cost charged to a different Program, an auto-accrual reversal, and a duplicate transaction. The reversals were not reflected in the General Ledger within the audit period which directly correlates with the amounts on the SFPS. This resulted in total questioned costs of \$34,684.

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Description	Cost Categories	Instances	Ineligible Costs
Car rental costs incurred on 09/21/2023, that is partially related to another Program was erroneously charged to the Program and not reversed out until August of 2024, which was after we identified this error during audit fieldwork.	Construction	1	\$ 153
Auto-accrual made on 08/31/2023 that should have been reversed out was never reversed out until we identified this error during audit fieldwork.	Other Direct Costs	1	19,587
A duplicate transaction incurred on 05/12/2023 was not credited back to the Program until after we initiated the audit. [REDACTED] did a detailed review of their general ledger transactions supporting their certified SPFS, identified this error and credited the duplicate transaction in March of 2024.	Program Costs	1	14,944
		3	\$ 34,684

- One (1) instance in Program Costs where a beneficiary distribution was incorrectly booked to the General Ledger. This resulted in total questioned costs of \$11,425.

Description	Original Amount	Updated Amount	Net Amount	Instances	Ineligible Costs
Beneficiaries' distribution payment advances were charged to the Program on 10/25/2023. There was a decrease in the advanced	12,501,000 AFN	11,611,600 AFN	889,400 AFN	1	\$ 11,425

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

amount due to a shift in program goals, which was approved by USAID. The decreased amount was determined in February 2024; however, the reversal was not completed until May of 2024, which was after we initiated our audit.					
				1	\$ 11,425

This resulted in total ineligible costs of \$76,807.

Criteria:

[REDACTED] states in part:

"2.10 Disallowable expenditure

[REDACTED] are responsible for safeguarding the agency against any disallowed cost or undue liability.

Budget Holders are responsible for being familiar with the terms of their awards, and understanding what expenditure is and is not allowable - working closely with Country Office senior finance and awards staff."

[REDACTED], states in part:

"2.3.3 Controls

Staff members posting transactions must check that the entry is complete, accurate, appropriately authorized and that there is sufficient auditable supporting documentation before posting the transaction."

2 CFR 200.303, Internal Controls, states in part:

"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, states in part:

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

"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..."

2 CFR 200.405(a), Allocable Costs, states in part:

"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...
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart."

Cause: [REDACTED] did not have adequate management oversight to ensure unallowable costs were not charged to the funding agency and did not reverse unallowable costs errors in a timely manner.

Effect: Ineligible costs were charged to and paid by the U.S. government.

Questioned Costs: We identified \$76,807 in ineligible costs and \$17,543 in associated indirect costs which resulted in \$94,350 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] either provide evidence to support the costs questioned were allowable or return \$94,350 of ineligible costs to the funding agency.
- (2) We recommend that [REDACTED] develop and implement policies and procedures to ensure its management team properly follows its finance manual to ensure [REDACTED] does not charge unallowable costs to the Program due to errors and that reversals are done in a timely manner.

(Continued)

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Finding 2024-02: Lacked supporting documentation to show an equitable allocation methodology

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

Condition: Conrad tested a combined 847 out of 62,711 transactions in Direct Labor, Fringe, Supplies, Construction, and Other Direct Costs representing \$649,097 out of a total of \$5,473,783 to determine if the costs were reasonable, adequately supported, allowable and properly approved. During our testing, we noted the following transactions were unallowable costs charged to the Program:

- We noted eighteen (18) instances where costs charged to the Program did not have supporting documentation such as allocation support and [REDACTED] was unable to demonstrate that costs were allocated correctly and related to the program.

Cost Category	Instances	Questioned Cost
Direct Labor and Fringe	17	\$3,114
Supplies	1	2,688
Totals:	18	\$5,802

- Additionally, we noted thirty-seven (37) instances where [REDACTED] could not provide the relevant documentation such as an allocation analysis to demonstrate that [REDACTED] used an equitable allocation methodology. [REDACTED] acknowledged that the Direct Labor and Fringe transactions were not in line with their policies and procedures. For the remaining Construction and Other Direct Costs, [REDACTED] did not provide applicable supporting documentation to show how allocation was charged.

Cost Category	Instances	Questioned Cost
Direct Labor and Fringe	28	\$13,735
Construction	1	307
Other Direct Costs	8	17,486
Totals:	37	\$31,528

All the instances noted above resulted in total unsupported costs of \$37,330.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Criteria:

[REDACTED], states in part:

2 CFR 200.303, Internal Controls, states in part:

"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, states in part:

"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..."

2 CFR 200.405, Allocable Costs, states in part:

"(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...

(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart...

(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..."

Cause: [REDACTED] management did not follow its finance manual to ensure that allocated costs were properly allocated to the Program.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Effect: [REDACTED] charged unsupported costs to the Program which resulted in the U.S. government overpaying for costs.

Questioned Costs: We identified \$37,330 unsupported costs and \$8,526 in associated indirect costs, which resulted in \$45,856 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide sufficient documentation demonstrating costs were related to or had allocation methodology to support the costs charged to the Program or return \$45,856 of unsupported costs.
- (2) We recommend that [REDACTED] develop and implement adequate management oversight policies and procedures to ensure only Program related costs are charged to the Program, proper allocation documentation is maintained, and allocation policies and procedures are followed.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Finding 2024-03: Subcontractor Used an Incorrect Exchange Rate

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

Condition: Conrad tested 31 transactions out of 23,468 transactions in the Subagreements cost category, representing \$2,870,297 out of a total of \$5,961,416 for these transactions to determine if the costs were allowable and supported adequately

During our testing we noted one (1) instance where [REDACTED] inadvertently overcharged to the Program due to an inaccurate exchange rate used by one of their subcontractors to calculate bank charges billed to [REDACTED]. The subcontractor bank charge amount was 1,605.07 AFN using an exchange rate of 0.14552, resulting in a charge of \$11,030 U.S Dollars (USD). Based on our recalculation using a monthly exchange rate obtained online, the conversion rate from AFN to USD should have been 81.18225, resulting in a charge of only \$19.77 USD. The error resulted in additional charges of \$11,010, which are questioned as ineligible costs.

Conrad discussed this issue with [REDACTED] and they agreed that the subcontractor used an incorrect exchange rate. [REDACTED] has initiated an impact analysis with its subcontractor on all other transactions incurred by its subcontractor and will provide the final impact analysis to the funding agency during corrective action on the audit results.

[REDACTED], states in part:

"3.6 Monitoring

Monitoring will take the form of some/ all of the below activities

- regular visits to sub-awardee office – this must happen quarterly as a minimum ensuring costs are appropriately allocated within budgets
- if the partner cannot be physically visited due to circumstances outside of [REDACTED] control, finance staff must perform desk-top reviews/ audits of financial reports and other financial records in place of the field visit and this must occur in line within the timeframe per the financial monitoring visit plan. If any changes to the monitoring plan must be documented and approved by the CD before being implemented. All such monitoring visits and contacts must be documented in writing through field trip or meeting notes and maintained in the sub-award files. Finance staff should provide both verbal and written reports on findings and recommendations for improvement.

[REDACTED] is responsible for ensuring the required procedures for: ensuring the required procedures for working with sub-awardees are in place and operating effectively and signing off the financial monitoring visit plan.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

[REDACTED] is responsible for implementing the procedures: payments are only made if there is a signed sub-award agreement, and the previous finance report has been approved, and adequate financial monitoring activities are taking place, including the sign off of the partner monitoring plan."

2 CFR 200.303, Internal Controls, states in part:

"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: [REDACTED] management and staff did not follow its finance manual to perform ongoing procedures to ensure proper subcontractor monitoring was taken place.

Effect: The lack of adequate controls in [REDACTED] sub-awardee monitoring system resulted in incorrect exchange gains being overcharged to the Program.

Questioned Costs: We identified \$11,010 in ineligible costs and \$773 in associated indirect costs, which resulted in \$11,783 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] either provide evidence to support the costs questioned were allowable or return \$11,783 of ineligible costs.
- (2) We recommend that [REDACTED] develop and implement policies and procedures to ensure its management and finance team properly follow its finance manual on subcontractor monitoring to ensure that correct exchange rates are applied by the subcontractor when billing expenses to [REDACTED].

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Finding 2024-04: Amount charged to the General Ledger does not match the supporting documentation

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

Condition: Conrad tested fifteen (15) transactions out of 107 transactions in the Supplies cost category, representing \$61,260 out of a total \$77,666 for these transactions and 42 transactions out of 6,322 transactions in the Program Costs category, representing \$1,142,351 out of a total \$2,374,371 for these transactions.

During our testing to determine the allowability and support adequacy of costs incurred, we noted two (2) instances where a discrepancy in costs was reported to the funding agency. In these instances, [REDACTED] made payments to the vendors in Afghanis (AFN) using the exchange market rate at the time of payment. However, when [REDACTED] converted the amount paid in AFN back to USD during month end closing it resulted in a higher amount in USD than had been charged on the vendor's invoice in [REDACTED]. No exchange rate conversion should have been applied; instead, [REDACTED] should have booked the original charges in USD.

These instances resulted in ineligible costs of \$259.

Criteria:

[REDACTED] states in part:

"2.3.3 Controls

Staff members posting transactions must check that the entry is complete, accurate, appropriately authorized and that there is sufficient auditable supporting documentation before posting the transaction."

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

"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..."

Cause: [REDACTED] accounting software lacked adequate system capabilities to ensure that vendor transaction invoices using USD and payments in AFN are not converted back to USD when recorded in the General Ledger.

Effect: The lack of adequate controls in [REDACTED] accounting system resulted in incorrect exchange gains being overcharged to the Program.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Schedule of Findings and Questioned Costs (Continued)

Questioned Costs: We identified \$259 in ineligible costs and \$59 in associated indirect costs, which resulted in \$318 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] return \$318 of ineligible questioned costs.
- (2) We recommend that [REDACTED] develop and implement a system of controls to ensure exchange rates are applied correctly when recording transactions.
- (3) We recommend that [REDACTED] develop procedures to ensure when transactions are paid using USD, vendor invoices are also in USD so that no foreign conversion should be applied again when recording to the General Ledger.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from [REDACTED], SIGAR, and USAID/BHA pertaining to agreement activities under this audit. We identified two (2) prior audit reports which contained twelve (12) findings and associated recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, including discussion with [REDACTED] management, and performed testing of similar activities during our audit. We determined that [REDACTED] had taken corrective action on 11 of the 12 findings and one finding was not addressed and repeated under this audit again. We have summarized the results of our procedures below:

1. **Report:** [REDACTED]
[REDACTED]

Finding 2019-01: Inadequate Supporting Documentation Regarding Equipment and Supplies – Crowe selected 34 items totaling 169 items for testing compliance with government property requirements and found that in one instance [REDACTED] did not provide evidence the items existed, and for two other items, the identification numbers did not match the information in the inventory listing. This resulted in a total of \$484 total unsupported costs.

Status: For the current engagement, Conrad reviewed [REDACTED] general ledger and tested supplies transactions and concluded that this issue was not repeated.

Finding 2019-02: Incomplete Physical Inventory Documentation and Lack of Evidence of Submission – Crowe noted the inventory file indicated the document included data as of July 2020, which is more than 90 days from the estimated completion date of the program, December 31, 2019. Crowe identified approximately \$39,000 in items classified within [REDACTED] general ledger as equipment with transaction dates after July 2020. Therefore, the inventory was considered incomplete. This resulted in questioned costs of \$59,304.

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Status of Prior Audit Findings (Continued)

Status: For the current engagement, we tested non-payroll cost categories such as Supplies, Other Direct Costs and Program Costs and concluded that this was not a repeated issue.

Finding 2019-03: Undocumented Micro-Purchase Procurement Procedures – [REDACTED] does not have a documented policy or procedure to ensure the equitable distribution of micro-purchases and to ensure that micro-purchases provided to a single vendor do not exceed the micro-purchase threshold in the aggregate as required by 2 CFR Part 200.320. There were no questioned costs for this finding.

Status: For the current engagement, [REDACTED] provided its updated Procurement Manual which includes a section containing a detailed diagram detailing the necessary procedures to be taken for sourcing thresholds <\$100 to >\$100,000. As such, this finding was not a repeated issue.

Finding 2019-04: Lack of Support for Suspension and Debarment Checks – [REDACTED] did not provide evidence demonstrating the organization conducted suspension or debarment checks of the 10 vendors selected through procurement procedures.

Status: For the current engagement, Conrad held multiple meetings with [REDACTED] in which [REDACTED] stated that vetting checks are done for all parties prior to entering into a procurement agreement. Our testing found that the vetting checks were performed by [REDACTED]. As such, Conrad concluded that this was not a repeated issue.

2. **Report: Financial Audit of Costs Incurred Under Agreement No. [REDACTED]**
**Awarded by the United States Agency for International Development's Office of Foreign
Disaster Assistance [REDACTED]**

Finding 2022-01: [REDACTED] Reallocated Costs that were Designated for Other Awards to the Award under Audit – Conrad's testing found transactions, allocated to the Program, which lacked documentation supporting their allocability. This resulted in questioned costs of \$42,123.

Status: For the current engagement, Conrad reviewed the sampled transactions including the unique SOF identifier and found that this issue was not repeated.

Finding 2022-02: [REDACTED] did not Reimburse the Indirect Costs Associated with Disallowed Costs Identified in a USAID Foreign Recipient Audit – [REDACTED] self-disclosed results from a USAID Foreign Recipient audit conducted by KPMG LLP which identified a number of transactions pertaining to

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Status of Prior Audit Findings (Continued)

the year ended December 31, 2019 that were charged to the SOF assigned to this Agreement [REDACTED] in the year 2020. STC did not reimburse USAID for the associated indirect costs as they were not identified in KPMG's finding. This resulted in questioned costs of \$17,899.

Status: Based on our review, this issue was not repeated.

Finding 2022-03: Missing or Insufficient Direct Labor Source Documentation and Employee Timesheets Approved and/or Submitted prior to Pay Period End – Conrad noted nine (9) instances of missing or insufficient source documentation, such as missing timesheets, related project employment contracts and/or salary increment letters, and insufficient justification supporting an employee's level of effort rate. Thirty-three (33) instances where employee timesheets were approved and/or submitted prior to the pay period end. This resulted in questioned costs of \$11,010.

Status: For the current engagement, Conrad tested labor and fringe samples for the audit period and concluded that this issue was not repeated.

Finding 2022-04: Incurred Costs Related to Multiple Awards Were Allocated Entirely to the Award – For five (5) samples tested, the support documentation indicated that the purpose of travel was to participate in senior management team meeting, which covered all active [REDACTED] awards, but the costs were incorrectly allocated entirely to the Program. This resulted in questioned costs of \$9,397.

Status: For the current engagement, Conrad reviewed [REDACTED] general ledger and tested all related cost categories for the samples for the audit period. Based on our testing, this issue was repeated. [REDACTED] has not provided sufficient documentation to support that charges were related to the program, or the allocation methodology for costs to multiple awards. Please see **Finding 2024-02** in the *Schedule of Findings and Questioned Costs*.

Finding 2022-05: [REDACTED] did not adhere to the required Procurement Processes – Conrad identified five (5) transactions where [REDACTED] did not follow its Single Quotation Sourcing Procedures which require obtaining three competitive quotes, preparing a comparative bid analysis, and receiving approval from the budget holder. This resulted in unsupported questioned costs of \$7,548.

Status: For the current engagement, Conrad reviewed [REDACTED] procurement process on Single Quotation Sourcing and did not identify transactions where [REDACTED] did not follow its policies and procedures. This issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

(Continued)

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]
[REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Status of Prior Audit Findings (Continued)

Finding 2022-06: [REDACTED] Self-Disclosed an Internal Violation of Procurement Processes related to Two Vehicle Rental Contracts – Conrad noted that there were two vehicle rental contracts that did not go through a proper competitive bid process, which violated [REDACTED] procurement policies and procedures, resulting in questioned indirect costs of \$930.

Status: For the current engagement, Conrad reviewed [REDACTED] general ledger and related vehicle rental transactions charged for the audit period. This issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2022-07: [REDACTED] did not adhere to its internal Travel Policies and Procedures – For some selected sample transactions, [REDACTED] charged per diem rates to the project that were higher than the rates outlined in [REDACTED] travel policy; [REDACTED] was unable to provide a Travel Authorization Request (TAR) form as required by the travel policy, two forms were missing evidence of approval from the line manager as required by the travel policy, and for one transaction, [REDACTED] was unable to provide supporting documentation related to airfare charges. This resulted in questioned costs of \$686.

Status: For the current engagement, Conrad reviewed [REDACTED] general ledger and tested Travel samples for the audit period. This issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2022-08: Ineligible Gifts were Purchased and Distributed to Female Staff – Conrad noted three instances where gift items such as cloth and body spray were purchased and distributed to female staff in celebration of International Women's Day. [REDACTED] did not provide evidence demonstrating the expenses supported programmatic purposes and were properly authorized in the budget. This resulted in questioned costs of \$686.

Status: For the current engagement, Conrad reviewed [REDACTED] general ledger and did not identify similar transactions where ineligible gifts were purchased and distributed to female staff. This issue was not repeated. As such, Conrad concluded that [REDACTED] has taken adequate corrective action on this finding.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

[REDACTED] Responses to Audit Findings

Included on the following pages are [REDACTED] responses received to the findings identified in this report.

Finding 2024-01: Unallowable Costs Were Charged to the Program

Questioned Costs: We identified \$76,807 in ineligible costs and \$17,543 in associated indirect costs which resulted in \$94,350 in total questioned costs.

- [REDACTED] **Management response to finding:**
 - *Four (4) instances in Other Direct Costs where [REDACTED] acknowledged that the U.S. government was overcharged due to a booking error made on bank charges. This resulted in total questioned costs of \$30,698.*
 - [REDACTED] **Management accepts the questioned costs and are working on enhanced controls within the country on allocating bank changes. The noted amounts were already removed from the award in July 2024.**
 - *Three (3) instances in Construction, Other Direct Costs, and Program Costs where [REDACTED] did not properly reverse an unallowable cost charged to a different Program, an auto-accrual reversal, and a duplicate transaction. The reversals were not reflected in the General Ledger within the audit period which directly correlates with the amounts on the SFPS. This resulted in total questioned costs of \$34,684.*
 - [REDACTED] **Management accepts the full amount of the questioned cost. However, the amounts in question of \$153 in construction costs and \$14,944 in program costs were adjusted in the normal course of business, prior to findings or issues raised as part of the audit. Given the adjustments occurred outside the audit period, Conrad felt obliged to include in their reporting. The remaining questioned cost of \$19,587 (excluding ICR) in other direct cost will be reversed prior to the end of 2024 and [REDACTED] will report correction on the quarterly financial report due at the end of January 2025.**
 - *One (1) instance in Program Costs where a beneficiary distribution was incorrectly booked to the General Ledger. This resulted in total questioned costs of \$11,425.*
 - [REDACTED] **Management's view is that there is no action necessary as refund of the amounts occurred in May 2024 for the noted issue, that was identified in advance of audit work by Conrad.**
- [REDACTED] **Management Response to Recommendations**
 - *(1) We recommend that [REDACTED] either provide evidence to support the costs questioned were allowable or return \$94,350 of ineligible costs to the funding agency.*
 - [REDACTED] **Management agrees with this recommendation and is in the process of reversing the full ineligible costs before the end of 2024. The next quarterly**

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of th [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

[REDACTED] Responses to Audit Findings (Continued)

financial report submitted at the end of January 2025 will include these corrections.

- (2) We recommend that [REDACTED] develop and implement policies and procedures to ensure its management team properly follows its finance manual to ensure [REDACTED] does not charge unallowable costs to the Program due to errors and that reversals are done in a timely manner.
 - [REDACTED] Management focuses on finance manual procedures and related controls to ensure our expenditures are allowable, allocable and reasonable/necessary for the program. Errors can occur, and for adjustments to original transactions, we have layers of reviews that can identify incorrect transactions and thus timing and adjustments can be variable subject to those reviews. Appropriate action is taken when errors are identified, and several of these questioned charges were identified in the normal course of business for correction before the start of the audit, demonstrating the existence of processes to identify and correct errors. Delays can occur depending on any investigation/reconciliation that needs to occur or other conditions within the country.

Finding 2024-02: Lacked supporting documentation to show an equitable allocation methodology

Questioned Costs: We identified \$37,330 unsupported costs and \$8,526 in associated indirect costs, which resulted in \$45,856 in total questioned costs.

- [REDACTED] Management response to finding
 - We noted eighteen (18) instances where costs charged to the Program did not have supporting documentation such as allocation support and [REDACTED] was unable to demonstrate that costs were allocated correctly and related to the program. (Total Cost \$5,802, excluding ICR)
 - [REDACTED] Management accepts the questioned cost totaling \$4,038 (excluding ICR) and reversals are pending.
 - [REDACTED] Management has attached to this response the necessary documentation for the questioned cost of \$1,763 (excluding ICR). The amount in question is comprised of two transactions for [REDACTED] travel expenses (sample #P-24A). This employee is the [REDACTED] and at the time of the travel this award was the only [REDACTED] so his travel was fully allocated.
 - Additionally, we noted thirty-seven (37) instances where [REDACTED] could not provide the relevant documentation such as an allocation analysis to demonstrate that [REDACTED] used an equitable allocation methodology. [REDACTED] acknowledged that the Direct Labor and Fringe

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. 7 [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

[REDACTED] Responses to Audit Findings (Continued)

transactions were not in line with their policies and procedures. For the remaining Construction and Other Direct Costs, [REDACTED] did not provide applicable supporting documentation to show how allocation was charged. (Total cost \$31,528 excluding ICR)

- [REDACTED] Management accepts the questioned cost totaling \$25,551 (excluding ICR) and reversals are pending.
- [REDACTED] Management has attached to this response the allocation method associated with the questioned cost of \$4,949 (excluding ICR) sample #ODC-22. [REDACTED] provided the full allocation method for the country shared cost. In the folder provided with this response, there is a detail explanation on how to read the allocation spreadsheet. For the questioned cost of \$1,027 (excluding ICR) sample #ODC-42, [REDACTED] provided the journal ledger for the full year maintenance cost. The annual budget for BHA is [REDACTED] overall office budget and 13% of the annual maintenance cost was charged to the award.
- [REDACTED] Management Response to Recommendation
 - (1) We recommend that [REDACTED] provide sufficient documentation demonstrating costs were related to or had allocation methodology to support the costs charged to the Program or return \$45,856 of unsupported costs.
 - [REDACTED] accepts \$38,514 (including ICR) and is currently completing reversals. The remaining \$7,342 (including ICR) has not been accepted by [REDACTED] for the reasons mentioned above and the appropriate supporting documents are attached to this response. We will await final determination from BHA before taking any action.
 - (2) We recommend that [REDACTED] develop and implement adequate management oversight policies and procedures to ensure only Program related costs are charged to the Program, proper allocation documentation is maintained, and allocation policies and procedures are followed.
 - [REDACTED] Management take note of the recommendation, and the in-country Afghanistan team is currently in the process adjusting allocation procedures to ensure compliance with USG regulations and will continue to reinforce documented policies. Starting in Q1 2025, in-country training will take place to inform staff of the new procedures and reinforce [REDACTED] documentation policies.

Finding 2024-03: Subcontractor Used an Incorrect Exchange Rate

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

[REDACTED] Responses to Audit Findings (Continued)

Questioned Costs: We identified \$11,010 in ineligible costs and \$773 in associated indirect costs, which resulted in \$11,783 in total questioned costs.

- [REDACTED] **Management Response to finding:**
 - During our testing we noted one (1) instance where [REDACTED] inadvertently overcharged to the Program due to an inaccurate exchange rate used by one of their subcontractors to calculate bank charges billed to [REDACTED]. The subcontractor bank charge amount was 1,605.07 AFN using an exchange rate of 0.14552, resulting in a charge of \$11,030 U.S. Dollars (USD). Based on our recalculation using a monthly exchange rate obtained online, the conversion rate from AFN to USD should have been 81.18225, resulting in a charge of only \$19.77 USD. The error resulted in additional charges of \$11,010, which are questioned as ineligible costs.
 - [REDACTED] accepts the finding and [REDACTED] has returned the question cost with their 9/2024 financial report. The return was recorded in [REDACTED]'s October 2024 general ledger and will be included on the next quarterly financial report submitted at the end of January 2025.
 - Conrad discussed this issue with [REDACTED] and they agreed that the subcontractor used an incorrect exchange rate. [REDACTED] has initiated an impact analysis with its subcontractor on all other transactions incurred by its subcontractor and will provide the final impact analysis to the funding agency during corrective action on the audit results.
 - [REDACTED] Management is currently working with [REDACTED] to conduct an impact analysis of the bank fee allocations that utilized [REDACTED] exchange rate method. [REDACTED] is following their internal processes for calculating the exchange rate and stands firm that their exchange rate calculation is correct but has agreed to return the variance for this transaction. Making changes to their approach will take some collaboration between [REDACTED]
- [REDACTED] **Management Response to recommendations:**
 - (1) We recommend that [REDACTED] either provide evidence to support the costs questioned were allowable or return \$11,783 of ineligible costs.
 - [REDACTED] has returned the question cost amount and the return is reflected in [REDACTED] 10/2024 general ledger. The amount will be included on the quarterly financial report submitted to BHA at the end of January 2025.
 - (2) We recommend that [REDACTED] develop and implement policies and procedures to ensure its management and finance team properly follow its finance manual on subcontractor monitoring to ensure that correct exchange rates are applied by the subcontractor when billing expenses to [REDACTED].

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

[REDACTED] Responses to Audit Findings (Continued)

- [REDACTED] Management acknowledges this recommendation and will collaborate with [REDACTED] to make recommended changes to their process regarding the monthly exchange rate calculation and how the rates are applied to expenses. [REDACTED] Management will continue the commitment to reinforce the accountability of the subcontractor by monitoring their financial transactions on a monthly basis and ensuring the policies and procedures in place are being followed.

Finding 2024-04: Amount charged to the General Ledger does not match the supporting documentation

Questioned Costs: We identified \$259 in ineligible costs and \$59 in associated indirect costs, which resulted in \$318 in total questioned costs.

- [REDACTED] **Management Response to finding**
 - *During our testing to determine the allowability and support adequacy of costs incurred, we noted two (2) instances where a discrepancy in costs was reported to the funding agency. In these instances, [REDACTED] made payments to the vendors in Afghanis (AFN) using the exchange market rate at the time of payment. However, when [REDACTED] converted the amount paid in AFN back to USD during month end closing it resulted in a higher amount in USD than had been charged on the vendor's invoice in USD. No exchange rate conversion should have been applied; instead, [REDACTED] should have booked the original charges in USD.*
 - [REDACTED]
- [REDACTED] **Management Response to recommendations:**
 - (1) We recommend that [REDACTED] return \$318 of ineligible questioned costs.
 - [REDACTED] Management accepts this finding and reversals are pending.
 - (2) We recommend that [REDACTED] develop and implement a system of controls to ensure exchange rates are applied correctly when recording transactions.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Awarded by the U.S. Agency for International Development's
Bureau of Humanitarian Assistance

in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

[REDACTED] Responses to Audit Findings (Continued)

- [REDACTED]
- (3) We recommend that [REDACTED] develop procedures to ensure when transactions are paid using USD, vendor invoices are also in USD so that no foreign conversion should be applied again when recording to the General Ledger.
- [REDACTED]

(Continued)

[REDACTED]

Grant Agreement No. [REDACTED]
 Awarded by the United States Agency for International Development
 in support of the [REDACTED]

For the Period of December 19, 2022, through November 30, 2023

Auditor's Rebuttal to [REDACTED] Responses to Audit Findings

[REDACTED] ([REDACTED]) disagreed with a portion of the questioned costs for Finding 2024-02; and agreed with the questioned costs for Finding 2024-01, Finding 2024-03 and Finding 2024-04. Auditor's rebuttal to [REDACTED] responses received related to the audit findings identified in this report are presented below:

(1) Finding 2024-01:

[REDACTED] acknowledged the issues identified in **Finding No. 2024-01** where there were multiple instances where unallowable costs were charged to the Program.

Auditor's Rebuttal:

Based on [REDACTED] management response, Conrad concludes that [REDACTED] concurred with the finding. As such, no rebuttal is deemed necessary.

(2) Finding 2024-02:

[REDACTED] did not agree with a portion of the issues identified in **Finding No. 2024-02** where there was a lack of supporting documentation to show an equitable allocation methodology. Of the eighteen (18) instances identified for this finding during the audit where allocation support was not provided to show that costs were allocated and related to the Program, there were two (2) instances related to the [REDACTED] traveling during a period where [REDACTED] stated that this award was the only active BHA award at the time. There were also two (2) out of thirty-seven (37) instances where allocation analysis was not provided to substantiate an equitable allocation methodology that [REDACTED] did not agree with. [REDACTED] provided a walkthrough for the allocation methodology behind the country shared cost for one instance and provided a journal ledger for clarification on another instance.

Auditor's Rebuttal:

Additional support was provided to substantiate the travel expenses for the two (2) instances involving the [REDACTED] however, there is no evidence showing that this was the only active BHA award at the time of travel. According to the awards list during the audit period provided by [REDACTED], there were multiple projects under different donors at the time.

For the instance regarding the Country Shared Costs - Vehicle & transport costs, a walkthrough was provided to follow allocation methodology in the CAM cost allocation sheet however, there is no support for base amount, resulting in the inability to validate the amount on the General Ledger.

In addition, for the instance related to vehicle operations, no additional documentation was provided showing the Source of Funds code to support the amount charged to the Program. [REDACTED]

[REDACTED]

Grant Agreement No. [REDACTED]
Awarded by the United States Agency for International Development
in support of the [REDACTED]

For the Period of December 19, 2022 through November 30, 2023

Auditor's Rebuttal to [REDACTED] Responses to Audit Findings (Continued)

stated that [REDACTED] Afghanistan's overall office budget is based on an annual budget of 13%. Based on the response provided by [REDACTED], costs should not be allocated based on budget.

As such, our finding and recommendations remained unchanged.

(3) Finding 2024-03:

[REDACTED] acknowledged the issues identified in **Finding No. 2024-03** where [REDACTED] subcontractor used an incorrect exchange rate resulting in an overcharge to the Program.

Auditor's Rebuttal:

Based on [REDACTED] management response, Conrad concludes that [REDACTED] concurred with the finding. As such, no rebuttal is deemed necessary.

(4) Finding 2024-04:

[REDACTED] acknowledged the issues identified in **Finding No. 2024-04** where there were discrepancies with the amount charged to the General Ledger and the supporting documentation provided.

Auditor's Rebuttal:

Based on [REDACTED] management response, Conrad concludes that [REDACTED] concurred with the finding. As such, no rebuttal is deemed necessary.

(Continued)

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.

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SIGAR's Mission

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- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
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