

# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

SIGAR 25-23 Financial Audit

## USAID's Sustaining Technical and Analytic Resources (STAR) Program: Audit of Costs Incurred by Public Health Institute

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.



MAY  
2025



# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On April 27, 2018, the U.S. Agency for International Development (USAID) awarded a 5-year, \$93,873,052 cooperative agreement to Public Health Institute (PHI) to implement its Sustaining Technical and Analytic Resources (STAR) Program. The agreement's objectives were to, among other things, improve the effectiveness of USAID's global health programs in Afghanistan and other targeted countries by developing and strengthening the capacity of global health professionals. USAID modified the agreement 33 times. The modifications increased the total obligated amount to \$130,201,850 and extended the performance period to September 30, 2024.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$1,350,804 in revenues received and costs incurred under the agreement from May 1, 2018, through April 30, 2024, in support of STAR activities in Afghanistan. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in PHI's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether PHI has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of PHI's Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

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

May 2025

USAID's Sustaining Technical and Analytic Resources (STAR) Program:  
Audit of Costs Incurred by Public Health Institute

SIGAR 25-23-FA

### WHAT SIGAR FOUND

Conrad identified two significant deficiencies in PHI's internal controls and two instances of noncompliance with the terms of the agreement. Specifically, Conrad found 16 instances where PHI did not provide sufficient evidence to substantiate costs charged to the program. For example, PHI was unable to provide the Defense Base Act insurance policy to support the insurance costs charged to the program. In another example, PHI could not provide an invoice to support \$3,500 of operating expenses charged to the program. PHI was notified of the deficiencies and noncompliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified a total of \$17,716 in questioned costs, consisting of \$144 in ineligible costs—costs prohibited by the agreement and applicable laws and regulations and \$17,572 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Operating Expenses	\$0	\$3,500	\$3,500
Other Expenses	\$120	\$11,058	\$11,178
Indirect Expenses	\$24	\$3,014	\$3,038
<b>Total Costs</b>	<b>\$144</b>	<b>\$17,572</b>	<b>\$17,716</b>

Conrad did not identify any findings within prior PHI audit reports that could have a material effect on the SPFS or other financial data significant to the audit objectives.

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

### WHAT SIGAR RECOMMENDS

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

1. Determine the allowability of and recover, as appropriate, \$17,716 in questioned costs identified in the report.
2. Advise PHI to address the report's two internal control findings.
3. Advise PHI to address the report's two noncompliance findings.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

May 19, 2025

The Honorable Marco Rubio  
Secretary of State  
Acting Administrator, U.S. Agency for International Development

We contracted with Conrad LLP (Conrad) to audit the costs incurred by Public Health Institute (PHI) under a cooperative agreement from the U.S. Agency for International Development (USAID) to implement its Sustaining Technical and Analytic Resources (STAR) Program.<sup>1</sup> The agreement's objectives were to, among other things, improve the effectiveness of USAID's global health programs in Afghanistan and other targeted countries by developing and strengthening the capacity of global health professionals. Conrad reviewed \$1,350,804 in revenues received and costs incurred under the agreement from May 1, 2018, through April 30, 2024, in support of STAR activities in Afghanistan. Our contract with Conrad required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$17,716 in questioned costs identified in the report.**
- 2. Advise PHI to address the report's two internal control findings.**
- 3. Advise PHI to address the report's two noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. In connection with the contract, we reviewed Conrad's report and related documentation and inquired of its representatives. 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 PHI's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated March 24, 2025, 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 completion for the recommendations to [sigar.pentagon.audits.mbx.recommendation-followup@mail.mil](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil), within 60 days from the issue date of this report.

Gene Aloise  
Acting Special Inspector General  
for Afghanistan Reconstruction

(F-302)

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<sup>1</sup> The cooperative agreement number is 7200AA18CA00001.

**Public Health Institute**

Financial Audit of the Special Purpose Financial Statement for  
Cooperative Agreement No. 7200AA18CA00001  
Awarded by the United States Agency for International Development  
in support of the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024



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March 24, 2025

Board of Directors  
Public Health Institute  
Oakland, CA

Special Inspector General for Afghanistan Reconstruction (SIGAR)  
2530 Crystal Drive  
Arlington, VA 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 Public Health Institute's Special Purpose Financial Statement under Cooperative Agreement No. 7200AA18CA00001 awarded by the United States Agency for International Development for the period of May 1, 2018, through April 30, 2024, supporting the Sustaining Technical and Analytic Resources Program.

On February 3, 2025, we provided SIGAR with a draft report reflecting our audit procedures and results. Public Health Institute (PHI) received a copy of the report on March 4, 2025 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 Public Health Institute's responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Perera", with a horizontal line underneath.

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
Awarded by the United States Agency for International Development  
for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024

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### Background

On April 27, 2018, the United States Agency for International Development (USAID) awarded Cooperative Agreement 7200AA18CA00001 (Cooperative Agreement) to Public Health Institute (PHI) in support of the program entitled “Sustaining Technical and Analytic Resources (STAR)”.

The purpose of this Cooperative Agreement was to improve the effectiveness of global health programs worldwide by developing and strengthening the capacity of global health professionals and to strengthen the technical and analytic professional cadre of human resources for the Global Health Bureau by partnering with organizations of higher learning, development research, and/or health professional associations as described in the STAR program.” The purpose of program will be met with the following four objectives:

1. Fellowships & Internships that help build Low- and Middle-Income Country (LMIC) Capacity to run Global Health Programs.

The STAR program was intended to recruit and place on average 50 full time fellowships and up to 80 full time internships per year, with at least 250 fellowships and up to 350 internships to be completed over the life of the project, adopting a life cycle approach to managing participants (fellows and interns) and will recruit, place, and support participants who are motivated, technically excellent, and capable of making significant contributions to global health goals and USAID priorities.

2. Expanding Field Experience for Global Health Experience

The STAR fellowship and internship program will ensure that ALL fellows and interns are exposed to at least one LMIC (Low and Middle-Income Country) context outside of their own. This will apply to both fellows and interns originally based in the US or elsewhere. The STAR program will also focus on involving LMIC academia in creating appropriate professional development competencies and subsequent interventions to support individuals’ performance reflecting those core competencies.

3. Diversifying the Global Health Workforce

The STAR program is a groundbreaking effort to globalize the global health participant experience seeking a diverse pool of candidates with up to 50% being US and 50% from developing countries. The program will track levels of women in mid/senior fellowship/internships, as well as percentages of US minorities who are placed.

4. Creating Sustained Technical Platforms

STAR Fellows will be supported and encouraged to participate in networks and systems to share knowledge, and tools to optimize collaboration needed for efficient team productivity.

## Public Health Institute

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For the Period of May 1, 2018, through April 30, 2024

The initial award amount was \$93,873,052, for the period of performance from May 1, 2018, through April 30, 2023. There have been thirty-three (33) modifications to the Cooperative Agreement, to increase the obligated funds to \$130,201,850, extend the period of performance through September 30, 2024, and to modify portions of the Cooperative Agreement's language. See the *Summary of Cooperative Agreement* below.

### **Summary of Cooperative Agreement**

Cooperative Agreement Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
7200AA18CA00001	\$93,873,052	05/01/18	04/30/23	33	\$130,201,850	09/30/24

PHI, an independent, non-profit organization incorporated in California, is one of the largest and most comprehensive public health organizations in the nation, with an annual budget of \$100 million and approximately 700 staff in 26 countries. PHI has expertise in building local capacity, strengthening health systems, and training public health leaders and advocates at local, national, and international levels.

### **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 Cooperative Agreement, as mentioned above, of PHI's Special Purpose Financial Statement (SPFS) for revenue received and costs incurred under the Sustaining Technical and Analytic Resources (STAR) Program totaling \$1,350,804 for the period May 1, 2018, through April 30, 2024.

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

#### **Audit Objectives**

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

- *Special Purpose Financial Statement* – Express an opinion on whether PHI's SPFS for the Cooperative 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 Cooperative Agreement and generally accepted accounting principles or other comprehensive basis of accounting.

(Continued)



## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
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for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024

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- *Internal Controls* – Evaluate and obtain sufficient understanding of PHI's internal controls related to the Cooperative Agreement, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether PHI complied, in all material respects, with the Cooperative Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Cooperative 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 PHI 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 May 1, 2018, through April 30, 2024, totaling \$1,350,804, under the Cooperative Agreement. Our testing of the indirect cost charged to the Cooperative 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:

#### **Entrance Conference**

An entrance conference was held on July 17, 2024, with representatives of PHI, Conrad, SIGAR, and USAID 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 PHI. The scope of our audit includes PHI's management and employees, internal and external factors that affected operations, accounting policies and

(Continued)

## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of May 1, 2018, through April 30, 2024

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procedures. We gained an understanding of PHI 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:

- Cooperative Agreement and modifications;
  - Any regulations that were specific to the Cooperative Agreement's requirements, such as 2 CFR Part 200, Subpart E Cost Principles, 2 CFR Part 700 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Cooperative Agreement, and the applicable general ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Cooperative 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 Cooperative Agreement

We reviewed PHI's internal controls related to the Cooperative Agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of PHI's financial reporting function and compliance with applicable laws and regulations. This review was accomplished through

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## **Public Health Institute**

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of May 1, 2018, through April 30, 2024

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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 Cooperative Agreement Requirements and Applicable Laws and Regulations**

We performed tests to determine whether PHI complied, in all material respects, with the Cooperative Agreement requirements, 2 CFR Part 200, 2 CFR Part 700, ADS 303, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Cooperative 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 PHI and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on PHI's SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR ([www.sigar.mil](http://www.sigar.mil)), USAID ([www.usaid.gov](http://www.usaid.gov)), and other applicable Federal agencies, to identify previous engagements that could have a material effect on PHI'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 24.

### **Exit Conference**

An exit conference was held on January 22, 2025, via conference call. Participants included representatives from Conrad, PHI, SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

## **Summary of Results**

We have summarized the details of these results in the 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 \$17,716 in total questioned costs, which comprised of \$144 in ineligible costs and \$17,572 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Cooperative Agreement's provisions or applicable laws and regulations, or not related to the Cooperative Agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

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## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
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for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on PHI'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 two (2) internal control findings. Both internal control findings are considered to be significant deficiencies. See the *Independent Auditor's Report on Internal Control* on page 16.

### Compliance

The results of our testing identified two (2) instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 18.

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

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2024-01	Non-compliance and Internal Control – Significant Deficiency	Insufficient evidence to substantiate the costs charged to the Program	\$ -	\$ 17,572	\$ 17,572
2024-02	Non-compliance and Internal Control – Significant Deficiency	Per Diem Rates were overcharged to the Program	144	-	17,716
Total Questioned Costs			\$ 144	\$ 17,572	\$ 17,716

(Continued)

## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
Awarded by the United States Agency for International Development  
for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024

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### Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from PHI, SIGAR, and USAID pertinent to PHI's activities under the Cooperative Agreement. We identified three (3) prior audit reports that could have a material effect on the SPFS or other financial data significant to the audit objectives. However, we determined that the reports did not have any findings.

### Summary of PHI's Responses to Findings

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

- (1) **Finding 2024-01:** PHI disagreed with this finding and noted that documentation and responses previously provided refutes the statements that all instances noted lacked reasonableness or allowability.
- (2) **Finding 2024-02:** PHI agreed with this finding and associated questioned costs, but disagreed with the classification of the finding.

(Continued)



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

Board of Directors  
Public Health Institute  
Oakland, CA

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 Public Health Institute (PHI) and the related notes to the Special Purpose Financial Statement, with respect to the Cooperative Agreement No. 7200AA18CA00001 awarded by the United States Agency for International Development (USAID) to support the Sustaining Technical and Analytic Resources (STAR) Program, for the period of May 1, 2018, through April 30, 2024.

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 May 1, 2018, through April 30, 2024, in accordance with the terms of the Cooperative 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 Public Health Institute, 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 1 and 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Special Purpose Financial Statement, the statement is prepared by Public Health Institute on the basis of the requirements provided by SIGAR, which is a basis of accounting in accordance with 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 Public Health Institute'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 March 24, 2025 on our consideration of Public Health Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Cooperative 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 Public Health Institute's internal control over financial reporting and compliance.

### **Restriction on Use**

This report is intended for the information of Public Health Institute, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. 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.



Lake Forest, California  
March 24, 2025

# Public Health Institute

## Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 7200AA18CA00001 Awarded by the United States Agency for International Development for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024

### Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	<u>Notes</u>
Revenues:						
Cooperative Agreement No. 7200AA18CA00001	\$ 1,350,804	\$ 1,350,804	\$ -	\$ -	\$ -	(4)
Total revenues	<u>1,350,804</u>	<u>1,350,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Salary	-	-	-	-	-	
Operating Expenses						(A)
Other Expenses						(B)
Indirect Expenses						(C)
Shared Program Management						
Office Costs						
Total Costs incurred	<u>\$ 1,350,804</u>	<u>\$ 1,350,804</u>	<u>\$ 144</u>	<u>17,572</u>	<u>\$ 17,716</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>				

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



## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
Awarded by the United States Agency for International Development  
for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024

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

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

The Special Purpose Financial Statement (Statement) includes costs incurred under the "Sustaining Technical and Analytic Resources (STAR)" program Cooperative Agreement No 7200AA18CA00001 (Cooperative Agreement) May 1, 2018 – April 30, 2024, in Afghanistan specifically.

The Statement presents only a selected portion of activities carried out with funding from the referenced cooperative agreement and in Afghanistan. The Statement is presented in accordance with the requirements specified by SIGAR and is specific to the referenced Federal Cooperative Agreement.

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

Expenditures and revenue reported on the Statement are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in 2 CFR Part 200, Subpart E, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue on the Statement corresponds to flow of funds received from the United States Agency for International Development (USAID).

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

For purposes of preparing the Statement, conversions from local currency to United States dollars (USD) were not required. PHI had operated in Afghanistan by subcontracting with an Employer of Record and PHI does not have a local Afghani account. PHI's Employer of Record processed reimbursements (salary, allowances, expenses, etc.) for fellows placed in Afghanistan and processed payment of local labor taxes as part of the services provided to PHI and invoiced PHI in USD.

#### (4) **Revenue**

Revenues on the Statement represent the amount of funds that PHI has received from USAID for allowable, eligible costs incurred under the Cooperative Agreement during the period of performance.

PHI was authorized to receive these funds from USAID for allowable, eligible costs incurred under the cooperative agreement during the period of performance.

The Total Revenue draw down for the audit period was \$113,223,278.03 for the overall STAR program.

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

## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
Awarded by the United States Agency for International Development  
for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024

### Notes to Special Purpose Financial Statement<sup>1</sup> (Continued)

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Total Revenue for Afghanistan for the audit period was \$1,350,804.

#### (5) **Costs incurred by Budget Category in SPFS STAR Afghanistan**

The budget categories presented and associated amounts within the approved overall Cooperative Agreement budget align with the budget detailed in the Cooperative Agreement. These are allowable, allocable and reasonable costs incurred during the audited period and with program implementation:

██████ is the cost of laptops for local fellows per approved allowances for Afghanistan;

██████ represents costs such as salary, fringe benefits, allowances, taxes, expense reimbursement payments to local fellows and fees for PHI's Employer of Record. PHI's Employer of Record served as the employer of record in Afghanistan and managed the in-country payments for fellows and taxes and reporting to PHI STAR;

██████ – Indirect cost charged by PHI per approved NICRA ██████ - Allocable direct costs for STAR operations support, including but not limited to staff administration salaries, fringe benefits as well as other direct costs. Allocations of all direct costs per month are shared proportionately across STAR participants (fellows) by location.

#### (6) **Outstanding Fund Balance**

There is no outstanding fund balance.

#### (7) **Cost Share**

There is no cost share for Afghanistan.

#### (8) **Activity Status**

The Cooperative Agreement ended September 30th, 2024.

#### (9) **Subsequent Events**

PHI has evaluated subsequent events through the date that the Special Purpose Financial Statement is available for issue, which is the date of the Independent Auditors' Report.

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

## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
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For the Period of May 1, 2018, through April 30, 2024

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

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#### (A) Operating Expenses

PHI reported a total of [REDACTED] for Operating Expenses for the period of May 1, 2018, through April 30, 2024.

During our audit of these costs, we noted two (2) instances where there was no evidence to substantiate the costs charged to the Program, which resulted in unsupported costs of \$3,500. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Operating Expenses of \$3,500, consisting of no ineligible costs and \$3,500 in unsupported costs.

#### (B) Other Expenses

PHI reported a total of [REDACTED] for Other Expenses for the period of May 1, 2018, through April 30, 2024.

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

- Twelve (12) instances in Other Expenses Payroll where PHI did not have evidence to substantiate the costs charged to the Program, resulting in unsupported costs of \$10,260. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- Two (2) instances in Other Expenses Non-Payroll where PHI did not have evidence to substantiate the costs charged to the Program, which resulted in unsupported costs of \$798. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance in Other Expenses Payroll where Per Diem Rates were overcharged to the Program, resulting in ineligible costs of \$120. 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 Expenses of \$11,178, consisting of \$120 in ineligible costs and \$11,058 in unsupported costs.

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<sup>2</sup> The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.



**Public Health Institute**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
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**Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>**  
**(Continued)**

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**(C) Indirect Expenses**

PHI reported a total of [REDACTED] for Indirect Expenses for the period of May 1, 2018, through April 30, 2024.

The associated indirect costs associated with questioned costs identified in **Notes A and B** above resulted in total questioned indirect costs of \$3,038, consisting of \$24 in ineligible costs and \$3,014 in unsupported costs.

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<sup>2</sup> The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
Public Health Institute  
Oakland, CA

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 (SPFS) 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 Public Health Institute (PHI) under Cooperative Agreement No. 7200AA18CA00001 in support of the Sustaining Technical and Analytic Resources Program for the period of May 1, 2018, to April 30, 2024. We have issued our report thereon dated March 24, 2025 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 May 1, 2018 to April 30, 2024, we considered Public Health Institute's 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 Public Health Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Public Health Institute's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 two (2) deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Findings 2024-01 and 2024-02 are considered to be significant deficiencies.

### **Public Health Institute's Response to Findings**

Public Health Institute's response to the findings identified in our audit is included verbatim at the *Appendix A*. Public Health Institute's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

### **Restriction on Use**

This report is intended for the information of Public Health Institute, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. 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  
March 24, 2025

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors  
Public Health Institute  
Oakland, CA

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 (SPFS) 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 Public Health Institute (PHI) under Cooperative Agreement No. 7200AA18CA00001 in support of the Sustaining Technical and Analytic Resources Program for the period of May 1, 2018, to April 30, 2024. We have issued our report thereon dated March 24, 2025 with an unmodified opinion.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Public Health Institute's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Cooperative Agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two (2) 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 and 2024-02.

### Public Health Institute's Response to Findings

PHI's response to the findings identified in our audit is included verbatim at the *Appendix A*. Public Health Institute's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

### Purpose of this Report

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



## **Restriction on Use**

This report is intended for the information of Public Health Institute, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. 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.

A handwritten signature in blue ink that reads "Conrad LLP". The script is cursive and fluid.

Lake Forest, California  
March 24, 2025

(Continued)

## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
Awarded by the United States Agency for International Development  
for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024

### Schedule of Findings and Questioned Costs

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#### **Finding 2024-01: Insufficient evidence to substantiate the costs charged to the Program**

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

**Condition:** Conrad tested 47 transactions out of 199 transactions in the Other Expenses cost category, representing \$205,588 out of [REDACTED] for these transactions. Conrad also tested two (2) out of four (4) transactions in the Operating Expenses cost category, representing \$3,500 out of [REDACTED] for these transactions. Based on our testing, we noted 16 instances where PHI did not provide sufficient evidence to substantiate costs charged to the Program:

- Six (6) instances in Other Expenses – Payroll where PHI did not provide the Defense Base Act (DBA) insurance policy to support the insurance costs charged to the Program. The invoice support provided was not backed up by an applicable insurance policy to verify the amounts charged to the general ledger. This resulted in total questioned costs of \$9,656.
- Six (6) instances in Other Expenses – Payroll where PHI did not provide documentation to support the one-time allowance of personal protective equipment (PPE) to cover increased internet costs for employees to work remotely during the COVID-19 pandemic. PHI approved the one-time allowance of PPE but did not provide the internet bill to justify the charge. This resulted in total questioned costs of \$604.
- Two (2) instances in Other Expenses – Job posting costs where PHI did not provide documentation from the actual job posting site. PHI used an external recruiting agency and provided an invoice from the agency, proof of payment, and tracker of position recruited. However, the documentation provided did not contain details on the positions offered and job requirements. This resulted in total questioned costs of \$798.
- Two (2) instances in Operating Expenses - PHI did not provide an actual invoice from the vendor. The support provided was a quotation from the vendor that was only valid for five (5) days. This resulted in total questioned costs of \$3,500.

These instances resulted in total unsupported questioned costs of \$14,558.

#### **Criteria:**

**PHI's Policy Manual Chapter 11 Award Management** states the following:

*"2. Scope and Applicability*

*"The policies and guidelines outlined in this chapter... Apply to all PHI programs and types of awards, regardless of funding source, including but not limited to grants, contracts, cooperative agreements, subawards, subcontracts, gifts, donor advised funds, and endowments;"*

## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of May 1, 2018, through April 30, 2024

### Schedule of Findings and Questioned Costs (Continued)

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**PHI's Policy Manual Chapter 11 Award Management** states the following:

*"7.1 Cost Allowability*

*Allowable: For expenditures to be "allowable," they must ... be adequately documented."*

**PHI's Policy Manual Chapter 10 Accounting and Financial Management** states the following:

*"9 Accounts Payable Management*

*a. .... The amounts recorded will be based on the supplier invoice for the related goods or services;"*

**2 CFR 200.400(d) - Policy Guide**, states in part:

*"The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to 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:...*

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

**Cause:** PHI utilized a major vendor in carrying out all the program operations in Afghanistan. PHI did not have a policy in place to monitor and oversee its vendor to ensure costs were properly supported.

**Effect:** PHI's lack of a policy to monitor its vendor, and lack of adherence to federal regulation requirements, resulted in the U.S. government paying unsupported expenses under the STAR Program.

**Questioned Costs:** We identified \$14,558 in unsupported costs and \$3,014 in associated indirect costs, which resulted in \$17,572 in total questioned costs.

#### **Recommendation:**

- 1) We recommend that PHI provide additional evidence to demonstrate that the costs in question were in support of the STAR Program or return \$17,572 in unsupported costs.
- 2) We recommend that PHI develop and implement a policy and procedure to monitor its vendors to ensure program costs are properly supported.

(Continued)

## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of May 1, 2018, through April 30, 2024

### Schedule of Findings and Questioned Costs (Continued)

---

#### **Finding 2024-02: Per diem rates were overcharged to the Program**

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

**Condition:** Conrad tested 47 transactions out of 199 transactions in the Other Expenses category representing \$205,588 out of [REDACTED] for these transactions. During our testing to determine if costs incurred under the Program were adequately supported and allowable, we noted one (1) instance where PHI exceeded the M&IE per diem rate as per the U.S. Department of State's (DOS) website for one of its major vendor's employee reimbursements. Meal rates in USD for three (3) days were higher than the allowed rate per day. PHI stated this employee was subject to the per diem stated on the DOS website for a foreign national deployed to Afghanistan. However, the employee is a local national and had an Afghanistan passport. As such, they are subject to the normal per diem stated on the DOS website. The difference in per-dem rates was questioned as a result.

This resulted in total ineligible questioned costs of \$120.

**Criteria:**

**PHI'S STAR Travel Policy** states the following:

*"M&IE*

*...is reimbursed per the Department of State Standardized Regulations (DSSR) per diem rates for overseas travel..."*

**PHI's Policy Manual Chapter 15 Travel** states the following:

*"3.62 Per Diem Reimbursement*

- a. For all direct billed and IDC travel, M&IE expenses are reimbursed at prevailing U.S. Government M&IE rates as indicated... For international destinations, refer to the U.S. State Department."*

**2 CFR 200.474 Transportation costs**, states in part:

*"...if these costs are charged directly to the Federal award documentation must justify that:*

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

**Cause:** PHI utilized a major vendor in carrying out all Program operations in Afghanistan. PHI did not have a policy to monitor and oversee its vendor to ensure M&IE per diem were in accordance with the STAR travel policy.

**Effect:** Lack of management review on the verification process of per diem reimbursements may have increased the risk that unallowable costs were charged to the U.S. government.

(Continued)

## Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
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### **Schedule of Findings and Questioned Costs (Continued)**

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**Questioned Costs:** We identified \$120 in ineligible costs and \$24 in associated indirect costs, which resulted in \$144 in total questioned costs.

**Recommendation:**

- 1) We recommend that PHI show evidence that the ineligible costs identified are allowable or return the questioned costs of \$144.
- 2) We recommend that PHI develop and implement a policy and procedure to monitor its vendor to ensure vendor's employees M&IE were in accordance with STAR travel policy.

(Continued)



## **Public Health Institute**

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of May 1, 2018, through April 30, 2024

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

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We requested prior audit reports, evaluations, and reviews from PHI, SIGAR, and USAID pertaining to Cooperative Agreement activities under this audit. We identified three (3) prior audit reports that could have a material effect on the SPFS or other financial data significant to the audit objectives. However, we determined that the reports did not have any findings.

**Public Health Institute**

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of May 1, 2018, through April 30, 2024

**PHI's Responses to Audit Findings**

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**Public Health Institute**

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of May 1, 2018, through April 30, 2024

**PHI's Responses to Audit Findings**

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PHI thanks Conrad LLP for its work on this audit and submits responses to the audit findings as follows:

**Finding 2024-01: Insufficient evidence to substantiate the costs charged to the Program**

**PHI Response:**

PHI respectfully disagrees with the assertion that insufficient evidence exists to substantiate the allowability of the costs described in this finding. Furthermore, PHI strongly disagrees with the auditors' conclusion that it has a significant deficiency in implementing policies and procedures to monitor vendors.

PHI has documented policies and procedures for monitoring outside parties engaged with PHI funding. These monitoring efforts include, but are not limited to, pre-award responsibilities determinations, and a multi-tiered vendor invoice approval process, which includes invoice reviews by staff who are familiar with program implementation, grant and cost principle compliance requirements, and invoicing requirements. The efficacy of these monitoring procedures are clearly demonstrated on the STAR program; namely that despite implementation in a challenging operating environment, only a relatively small value of potentially ineligible or unsupported costs were identified in this audit.

PHI kindly offers its defense of these costs below.

1. Other Expenses/Payroll – Defense Base Act (DBA) Insurance Costs (\$9,656 plus applicable indirect costs)

As previously informed, PHI misunderstood the auditor's initial inquiry with regards to the required supporting evidence for these costs, which led to a delay in providing the requested supporting documentation. PHI received a copy of the DBA policy from the Employer of Record and provided a copy to the auditors on March 16, 2025. As such, PHI respectfully refutes the assertion that these costs lack sufficient evidence to support their allowability.

**Public Health Institute**

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of May 1, 2018 through April 30, 2024

**PHI's Responses to Audit Findings (Continued)**

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2. Other Expenses/Payroll – PPE Costs (\$604 plus applicable indirect costs)

PHI respectfully refutes the determination that insufficient evidence was provided to substantiate the allowability of these costs.

The telecommunications costs in question were structured as a fixed-amount benefit provided to program fellows during the COVID-19 public health emergency. Initially, PHI anticipated that these allowances would be supported with individual receipt documentation. However, due to movement restrictions and other extraordinary constraints during the pandemic, obtaining such documentation became impractical. Notably, USAID granted various implementation flexibilities during this period in recognition of these challenges.

Providing fixed-price telecommunications benefits is a standard practice among implementers of USAID and other donor-funded programs. Even in non-pandemic circumstances, requiring recipients to submit receipts for such allowances can be administratively burdensome. While PHI acknowledges that it did not initially categorize these benefits as fixed-price amounts, this administrative oversight does not affect the allowability or reasonableness of the expense.

As a benefit, these expenses are governed by the 2 CFR 200.431 cost principle, which permits allowability based on reasonableness and mutual agreement between the employer and the fellows. Both criteria were met in this case. Given the supporting evidence provided, PHI respectfully disagrees with this finding.

3. Other Expenses/Job Posting (\$798 plus applicable indirect costs)

PHI respectfully disagrees with the conclusion that insufficient evidence was provided to support the allowability of these costs.

PHI adheres to 2 CFR 200 cost principles, internal policies, and cost accounting standards when documenting expenses charged to federal awards. The auditors questioned these job posting costs because the supporting documentation did not include copies of the job announcements. However, neither 2 CFR 200.421 nor 2 CFR 200.463 require retention of job announcements as a condition of cost allowability for recruitment expenses.

Given that these job postings were published online, PHI believes that requiring physical copies of job postings presents an unnecessary burden. The documentation already provided—including contemporaneous recruitment records and reconciled vendor payment documentation—sufficiently substantiates the allowability of these costs.



## Public Health Institute

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**PHI's Responses to Audit Findings (Continued)**

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4. Operating Expenses/Computers (\$3,500 plus applicable indirect costs)

PHI respectfully refutes the auditors' determination that insufficient evidence was provided to substantiate the allowability of these costs.

The auditor has asserted that PHI did not provide evidence to substantiate the costs and did not provide sufficient proof of payment. These assertions are incorrect. PHI has provided proforma invoices, competing vendor quotations, contemporaneous correspondence relating to the procurement process, wire transfer details to the benefit of [REDACTED] ("vendor"), [REDACTED] payment confirmation, and the corresponding PHI bank statement. While PHI erred in not obtaining a final invoice from the Afghanistan-based vendor, it must be recognized that the three proforma invoices from the vendor match the amount paid by PHI less than one month later.

The auditors have noted that payment was made to vendor after the supposed expiration of the proforma invoices. This is incorrect. The vendor offered PHI three computers for a unit price of \$1,750 in January 2020 and PHI made corresponding payment to the vendor less than one month later, forming an implied contract that, de facto, extended the validity of the pro forma invoices.

Considering the documentation provided to the auditors, no doubt should exist that payment was made to the vendor for the three computers in question, the price paid was reasonable, and that the computers benefited the STAR program.

**Finding 2024-02: Per diem rates were overcharged to the Program**

PHI Response:

PHI accepts that it erred in not correctly applying the Department of State-authorized M&IE for 3.5 days of travel for the individual identified by the auditors. PHI's general approach to M&IE does not distinguish between individuals based on the basis of nationality or other similar factors and opts instead to focus on ensuring fairness in the application of policy. With that said, PHI accepts the ineligibility of the \$120 plus associated indirect costs referenced in the report.

As noted previously, PHI disagrees with the assertion that PHI is significantly deficient with regards to implementing policies and procedures to monitor vendors. PHI has documented policies and procedures for monitoring outside parties engaged with PHI funding. These monitoring efforts include, but are not limited to, pre-award responsibilities determinations, and a multi-tiered vendor invoice approval process, which includes invoice reviews by staff who are familiar with program implementation, grant and cost principle compliance requirements, and invoicing requirements. The efficacy of these monitoring procedures are clearly demonstrated on the STAR program; namely that despite implementation in a challenging operating environment, only a relatively small value of potentially ineligible or unsupported costs were identified in this audit.

**Public Health Institute**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
Awarded by the United States Agency for International Development  
for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018, through April 30, 2024

**Auditor's Rebuttal to PHI's Responses to Audit Findings**

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Public Health Institute (PHI) disagreed with the questioned costs for Finding 2024-01 and agreed with the questioned costs for Finding 2024-02. The auditor's rebuttal to PHI's responses received related to the audit findings identified in this report are presented below:

**(1) Finding 2024-01:**

PHI did not agree with the issues identified in multiple instances for Other and Operating Expenses in **Finding No. 2024-01** where there was no sufficient evidence for costs charged to the Program.

- There were six (6) instances in Other Expenses where the Defense Base Act (DBA) insurance policy was not provided to support insurance costs. PHI stated they misunderstood the initial inquiry with the required support for these costs causing a delay. PHI subsequently provided a copy of the DBA policy and refuted the assertion that costs lack sufficient evidence.
- Another six (6) instances was identified as documentation that was not given to show that a phone allowance for personal protective equipment (PPE) was justified. PHI stated that obtaining individual receipt documentation would be impractical and the expenses are met by 2 CFR 200 cost principles.
- The remaining two (2) instances for Other Expenses was questioned where job details and requirements on positions offered was not provided for when PHI used an external recruiting agency for job postings. PHI stated that they are adhering to 2 CFR 200 cost principles for these expenses even when the supporting documentation did not include information on the job postings, saying that it is an unnecessary burden.
- For Operating Expenses, there were two (2) instances where actual invoices from the vendor was not given as supporting documentation. PHI disagrees with the assertion that sufficient evidence was not provided to substantiate the costs. PHI states that the supporting documentation provided includes proforma invoices and failed to obtain the final invoice from the vendor. PHI says there is no doubt that payment was made to the vendor and that the price paid was reasonable and benefited the Program.

**Auditor's Rebuttal:**

For the six (6) instances where the DBA policy was not provided, PHI was able to provide the DBA insurance application. However, the application only included an estimated yearly premium amount of \$7,725 for 6 local nationals in Afghanistan. The total amount charged in 2020 to the Program for 6 local nationals in Afghanistan was \$9,656. There was no additional documentation provided to substantiate the amount charged and allowability to the Program.



Public Health Institute

Financial Audit of the Special Purpose Financial Statements for  
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For the Period of May 1, 2018 through April 30, 2024

**Auditor's Rebuttal to PHI's Responses to Audit Findings (Continued)**

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In the six (6) instances where PPE justification evidence for phone allowances was not provided, PHI was unable to provide sufficient evidence to support the costs charged to the Program. When the phone allowance for PPE was initially distributed, PHI stated that employees would be required to submit receipts of actual costs incurred to support the allowance amount. PHI stated that individual receipt documentation for these allowances was unable to be provided, lacking adherence to PHI's policies and procedures, and Federal regulation requirements with no reasonableness or allowability for the expense.

Regarding the two (2) instances where details on job positions were not provided from the use of an external recruiting agency, PHI did not provide additional documentation that showed job details and requirements for the positions offered using the external recruiting agency. Verification of the details of the job postings was not in the supporting documentation, so no confirmation was provided to show the job posting and its relation to the Program. As such, there was no determination of reasonableness and allowability of the costs charged.

For the two (2) instances in Operating Expenses, PHI did not provide actual invoices from the vendor. The stated proforma invoices are quotations from the vendor. The quotations also state that the prices are only valid for five days. The wire transfer as shown on the request form was made almost a month later. A final invoice was not obtained and provided to support costs charged to the Program.

As such, our finding and recommendations remained unchanged.

**(2) Finding 2024-02:**

PHI acknowledged the issue identified in **Finding No. 2024-02** where per diem rates were overcharged to the program. PHI accepts the total ineligible questioned costs of \$120. However, PHI did not agree with the classification of the finding being a significant deficiency as PHI has documented policies and procedures for monitoring outside parties engaged with PHI funding.

**Auditor's Rebuttal:**

When the issue of the overcharged per diem rates were first brought to the attention of PHI's management, PHI stated that the subcontractor's personnel is an expat and are subject to the higher Department of State per diem rates. However, after Conrad's further analysis, it was noted that the employee was an Afghanistan local national and was not subject to the higher per diem rate. It was clear that PHI's policies and procedures regarding the monitoring of subcontractor's

(Continued)

**Public Health Institute**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 7200AA18CA00001  
Awarded by the United States Agency for International Development  
for the Sustaining Technical and Analytic Resources Program

For the Period of May 1, 2018 through April 30, 2024

**Auditor's Rebuttal to PHI's Responses to Audit Findings (Continued)**

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personnel was not operating effectively to accurately determine their nationality and the applicable per diem rates. As such, our finding and classification remained unchanged.

## SIGAR's Mission

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

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

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## SIGAR's Mission

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