

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On May 19, 2014, the U.S. Agency for International Development (USAID) awarded a \$29,835,920 cooperative agreement to The Asia Foundation (TAF) to support the Strengthening Education in Afghanistan II (SEA II) project. The project's objective is to improve institutional capacity, operations, management, and programming of educational institutions and civil society organizations in Afghanistan. The agreement's initial period of performance was from May 19, 2014, through May 18, 2019. However, USAID modified the agreement 11 times, extending the period of performance to September 30, 2020, and increasing the agreement's total estimated cost to \$44,835,920.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$14,874,126 in costs charged to the agreement from October 1, 2015, through September 30, 2017. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in TAF'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 TAF has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of TAF's Special Purpose Financial Statement (SPFS). See Crowe's report for the precise audit objectives.

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

May 2019

USAID's Strengthening Education in Afghanistan II Project: Audit of Costs Incurred by The Asia Foundation

SIGAR 19-38-FA

WHAT THE AUDIT FOUND

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

Crowe reviewed three prior audits applicable to TAF's cooperative agreement and identified one finding relevant to the scope of this audit that required corrective action. Upon completion of audit procedures, Crowe concluded that TAF had fully implemented a corrective action plan.

Crowe issued an unmodified opinion on TAF's SPFS. Crowe concluded that the SPFS presents fairly, in all material respects, the revenues received, costs incurred, and balance for the period indicated.

WHAT SIGAR RECOMMENDS

Crowe did not report any findings related to the SEA II project. Therefore, SIGAR is not making any recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

May 29, 2019

The Honorable Mark Green
Administrator, U.S. Agency for International Development

Mr. Peter Natiello
USAID Mission Director for Afghanistan

We contracted with Crowe LLP (Crowe) to audit the costs incurred by The Asia Foundation (TAF) under a U.S. Agency for International Development (USAID) cooperative agreement to support the Strengthening Education in Afghanistan II (SEA II) project.¹ The project's objective is to improve institutional capacity, operations, management, and programming of educational institutions and civil society organizations in Afghanistan. Crowe reviewed \$14,874,126 in costs charged to the agreement from October 1, 2015, through September 30, 2017. Our contract with Crowe required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Crowe did not report any findings related to the SEA II project. Therefore, SIGAR is not making any recommendations.

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

A handwritten signature in black ink, appearing to read "John F. Sopko".

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-135)

¹ The cooperative agreement number is AID-306-A-14-00008.



**THE ASIA FOUNDATION
STRENGTHENING EDUCATION IN AFGHANISTAN (SEA II)
SPECIAL PURPOSE FINANCIAL STATEMENT
COOPERATIVE AGREEMENT NUMBER AID-306-A-14-00008**

**For the period October 1, 2015 to September 30, 2017
(With Independent Auditor's Report Thereon)**

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**Crowe LLP**

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Transmittal Letter

April 5, 2019

To the Board of Trustees of
The Asia Foundation
465 California St., 9th Floor
San Francisco, CA 94104

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

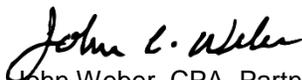
We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of The Asia Foundation's ("TAF") contract with the United States Agency for International Development ("USAID") Strengthening Education in Afghanistan (SEA II) (the "Project").

Within the pages that follow, we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Special Purpose Financial Statement, report on internal control, and report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of TAF and the Office of the Special Inspector General for Afghanistan Reconstruction provided both in writing and orally throughout the audit planning and fieldwork phases.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of TAF's contract.

Sincerely,


John Weber, CPA, Partner
Crowe LLP

Summary

Background

On May 19, 2014 The United States Agency for International Development (“USAID”) issued a five-year cooperative agreement to The Asia Foundation (TAF) with a period of performance of May 19, 2014 through May 18, 2019. TAF is tasked with providing support for the Strengthening Education in Afghanistan II (SEA II) project. The total estimated cost was initially \$29,835,920. There were eleven modifications made to the cooperative agreement, which extended the period of performance to September 30, 2020, and increased the total estimated cost to \$44,835,920.

The purpose of the cooperative agreement is to improve institutional capacity, operations, management, and programming of educational institutions and civil society organizations in Afghanistan that implement activities in line with higher and basic education needs.

A summary of the modifications to the Cooperative Agreement which have a direct impact on period of performance or total estimated cost follows:

Modification Number	Nature of modification
1	Provide incremental funding in the amount of \$6,904,458.84 increasing the total obligated amount from \$2,267,041.00 to \$9,171,499.84 (modification does not change original project budget).
7	<ol style="list-style-type: none"> 1. Bring the Promote Scholarship under SEA II Project through extending SEA II project's period of performance to September 30, 2020. 2. Increase the Total Estimated Cos of Agreement by \$15,000,000 from \$29,835,920 to \$44,835,920. 3. Provide incremental funding in the amount of 415,148,450 increasing the total obligated amount from \$9,171,499.84 to \$24,319,949.84.

TAF is tasked with providing support for the Strengthening Education in Afghanistan program described below.

Strengthening Education in Afghanistan (SEA II) (the “project”) will assist Afghan education institutions and non-governmental organizations to develop and strengthen their programmatic activities through technical assistance, training, and financial support. Support of programmatic activities to these organizations is geared towards improving access to quality and relevant education.

The Asia Foundation is a nonprofit international development organization committed to improving lives across a dynamic and developing Asia. Informed by six decades of experience and deep local expertise, TAF’s work across the region addresses five overarching goals—strengthen governance, empower women, expand economic opportunity, increase environmental resilience, and promote regional cooperation. Headquartered in San Francisco, The Asia Foundation works through a network of offices in 18 Asian countries and in Washington, DC. Working with public and private partners, the Foundation receives funding from a diverse group of bilateral and multilateral development agencies, foundations, corporations, and individuals. In 2017, we provided \$83.7 million in direct program support and distributed textbooks and other educational materials valued at \$8.7 million.

The audit’s scope includes activity from the period October 1, 2015 through September 30, 2017. Within the period under audit, TAF reported \$14,873,359 in total revenue as having been earned, and \$14,874,126 in reimbursable costs. TAF used ten major subrecipients whose collective expenditures make up approximately 95% of the Contractual Services expenditures recorded on the SPFS.

Work Performed

Crowe LLP (“Crowe”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of TAF’s project.

Objectives Defined by SIGAR

The following audit objectives were defined within the Performance Work Statement for Financial Audits of Costs Incurred by Organizations Contracted by the U.S. Government for Reconstruction Activities in Afghanistan:

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether the Special Purpose Financial Statement (SPFS) for the cooperative agreement presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the contract and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

Evaluate and obtain a sufficient understanding of TAF's internal control related to the cooperative agreement; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 3 – Compliance

Compliance: Perform tests to determine whether TAF complied, in all material respects, with the cooperative agreement 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.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Determine and report on whether TAF has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the special purpose financial statement or other financial data significant to the audit objectives.

Scope

The scope of the audit included the period October 1, 2015 through September 30, 2017. The audit was limited to those matters and procedures pertinent to the contract that have a direct and material effect on the Special Purpose Financial Statement ("SPFS"). The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable activities – Activities that are considered to be directly related to the cooperative agreement's goals and objectives, including specific efforts required to be executed per the agreement, and for which the Federal Government may pay all or a portion of the costs;
- Allowable costs – Costs that may be charged to a Federal award and for which payment may be received from the Federal Government;
- Cash management – Requirements pertaining to the calculation and disbursement of amounts drawn down on the Letter of Credit authorized by USAID;
- Procurement – Requirements pertaining to the identification and selection of vendors to provide goods and services for the cooperative agreement as well as to the purchase of eligible goods and services;
- Reporting – Submission of required financial and performance reports and evaluation of the completeness of those reports; and
- Sub-recipient Monitoring – Conduct of procedures to ensure that funds provided to subrecipients by TAF are being used in accordance with applicable requirements and audit requirements are being fulfilled.

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the auditee's internal controls over compliance and financial reporting, and determined if adequate corrective action was taken in response to prior audit, assessment, and findings and review comments, as applicable.

For purposes of meeting Audit Objective 1 pertaining to the SPFS

- We evaluated the reasonableness of the budget amounts by comparing them to the budget amounts in the most recent contract modification.
- Crowe evaluated the disclosures to determine if the following matters were properly disclosed:
 - Presentation of only Federal dollars,
 - Basis of accounting,
 - Status of the project,
 - Policy for recognizing revenue,
 - Description of the cost/budget categories.
- Crowe evaluated the propriety of TAF's foreign currency translation process, and also determined that the notes include an interpretation of the balance on the SPFS. Crowe also determined that the actual costs incurred which appear in the SPFS agree to underlying system records.

With regard to Audit Objective 2 regarding internal control, Crowe requested and the auditee provided copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by TAF during the period of performance and within the audit period. To the extent documented policies and procedures were unavailable Crowe conducted interviews with management to obtain an understanding of the processes that were in place during the audit period. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 requires that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the cooperative agreement. Crowe identified – through review and evaluation of the cooperative agreement executed by USAID and TAF the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including but not limited to audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected expenditures, invoices submitted to the Government for payment, procurements, financial and performance reports, and subrecipient agreements issued under the contract and corresponding costs incurred. Supporting documentation was provided by the auditee and subsequently evaluated to assess TAF's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the Negotiated Indirect Cost Rate Agreement (NICRA) issued by USAID.

Regarding Audit Objective 4, Crowe inquired of TAF, USAID staff participating in the audit entrance conference, and SIGAR to understand whether or not there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. As a result of the aforementioned efforts, we identified three prior reports applicable to TAF and the contract under audit for review and evaluation. These reports included the FYE 2016 and FYE 2017 Single Audit Reports, as well as a report issued by Crowe in May 2013.

Summary of Results

Upon completion of Crowe's procedures, Crowe issued an unmodified opinion on the SPFS. Crowe did not identify any matters which meet one or more of the following criteria: (1) significant deficiencies in internal control, (2) material weaknesses in internal control, (3) noncompliance with rules, laws, regulations, or the terms and conditions of the contract; and/or (4) questioned costs resulted from identified instances of noncompliance.

We include a report on TAF's internal controls over financial reporting and a report on compliance.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to TAF's financial performance under the contract. Based on Crowe's communications with TAF and the USAID staff members participating in the audit entrance conference, there was three such prior audit or assessment reports. One finding requiring corrective action was identified. See Section II: Schedule of Prior Audit Findings and Questioned Costs, below for a summary of the status of management's corrective action plans (where applicable) for these reports.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Trustees
The Asia Foundation
465 California Street, 9th Floor
San Francisco, CA 94104

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

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement (the Statement) of The Asia Foundation ("TAF"), and related notes to the Statement, with respect to the Strengthening Education in Afghanistan (SEA II) (the "Project") funded by cooperative agreement number AID-306-A-14-00008 for the period October 1, 2015, through September 30, 2017.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

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

(Continued)

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, revenue earned, costs incurred, and balance for the indicated period in accordance with the requirements established by the Office of the Special Inspector General for Afghanistan Reconstruction and on the basis of presentation and accounting described in Notes 1 and 2.

Basis of Presentation and Accounting

We draw attention to Notes 1 and 2 to the Statement, which describes the basis of presentation and accounting. The Statement was prepared by TAF in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction and presents those expenditures as permitted under the terms of cooperative agreement number AID-306-A-14-00008 which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the cooperative agreement referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of TAF, the United States Agency for International Development, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated April 5, 2019, on our consideration of TAF's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TAF's internal control over financial reporting and compliance.


Crowe LLP

Washington, D.C.
April 5, 2019

**THE ASIA FOUNDATION
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE PERIOD OCTOBER 1, 2015 THROUGH SEPTEMBER 30, 2017**

	Budget	Actual	Questioned Costs		Notes
			Ineligible	Unsupported	
Revenues					
Cooperative Agreement No.AID-306-A-14-00008	\$ 44,835,922	\$ 14,873,359	\$ -	\$ -	4
Total Revenues	\$ 44,835,922	\$ 14,873,359			
Costs Incurred					
Personnel	\$ 5,357,935	\$ 2,152,176	-	-	6
Travel	395,730	387,708	-	-	
Materials and Supplies	993,812	3,393	-	-	
Contractual Services	28,655,401	5,660,983	-	-	9
Other Direct Costs	6,158,225	5,223,632	-	-	
Indirect Costs	3,274,819	1,446,234	-	-	
Total Costs Incurred	44,835,922	14,874,126	\$ -	\$ -	
Balance	\$ -	\$ (767)			7

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

**THE ASIA FOUNDATION
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE PERIOD OCTOBER 1, 2015 THROUGH SEPTEMBER 30, 2017**

NOTE 1. BASIS OF PRESENTATION

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Cooperative Agreement No. 306-A-14-00008 for the Strengthening Education in Afghanistan II project (SEA II) within the period May 19, 2014 through September 30, 2020. The specific period covered by the Statement is October 1, 2015 through September 30, 2017. Because the Statement presents only a selected portion of the operations of TAF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of TAF. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Cooperative Agreement 306-A-14-00008. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. BASIS OF ACCOUNTING

Expenditures reported on the Statement are reported on modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 22 CFR 226 for the period October 1, 2015-April 30, 2017 and starting May 1, 2017 under 2 CFR 200 and 2 CFR 700, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. FOREIGN CURRENCY CONVERSION METHOD

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

NOTE 4. REVENUES

Revenues on the Statement represent the amount of funds to which TAF is entitled to receive from the United States Agency for International Development for allowable, eligible costs incurred under the Cooperative Agreement during the period of performance.

NOTE 5. REVENUE RECOGNITION

Periodic draws are made from the "Line of Credit" (LOC) based on the actual expenses incurred for the period of draw.

NOTE 6. COSTS INCURRED BY BUDGET CATEGORY

The budget categories presented, and associated amounts reflect the budget line items presented within the final, approved Cooperative Agreement budget adopted as a component of Modification 10 to the Cooperative Agreement dated April 25, 2017.

NOTE 7. BALANCE

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the Cooperative Agreement and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made. The deficit balance of \$727 is due to excess of expenditures over revenues, during the reporting period.

(Continued)

**THE ASIA FOUNDATION
 NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
 FOR THE PERIOD OCTOBER 1, 2015 THROUGH SEPTEMBER 30, 2017**

NOTE 8. CURRENCY

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

NOTE 9. SUBRECIPIENTS

Subrecipients activity is characterized as contractual services on the special purpose financial statement, in accordance with modification 10 of the cooperative agreement. USAID has approved each subrecipient in accordance with the terms of the agreement, and considers each item below a subaward.

The list of subrecipients and the amount received by each of them under the period of audit is as follows:

Subaward Number	Subrecipient Name	Cost under audit period
		\$1,092,050
		329,525
		690,981
		393,443
		24,248
		5,109
		5,129
		5,153
		5,153
		5,129
		1,536
		1,536
		1,536
		1,536
		1,536
		1,536
		49,484
		4,420
		4,420
		4,420
		4,420
		4,420
		20
		340,130
		347,138
		948,945
		220,556
		168,052
		357,333
		643,625
Total		\$5,660,983

(Continued)

**THE ASIA FOUNDATION
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE PERIOD OCTOBER 1, 2015 THROUGH SEPTEMBER 30, 2017**

NOTE 10. PROGRAM STATUS

The SEA II program remains active. The period of performance for the Cooperative Agreement is scheduled to conclude on September 30, 2020 as noted in Modification 7 dated January 5, 2016.

NOTE 11. SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to the period, October 1, 2015 through September 30, 2017 covered by the Statement. Management has performed their analysis through April 5, 2019.

**THE ASIA FOUNDATION
NOTES TO THE QUESTIONED COSTS PRESENTED ON THE
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE PERIOD OCTOBER 1, 2015 THROUGH SEPTEMBER 30, 2017**

There were no questioned costs included on the Special Purpose Financial Statement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Trustees
The Asia Foundation
465 California Street, 9th Floor
San Francisco, CA 94104

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (“the Statement”) of The Asia Foundation (“TAF”), and related notes to the Statement, with respect to cooperative agreement number AID-306-A-14-00008 for the period October 1, 2015 through September 30, 2017. We have issued our report thereon dated April 5, 2019.

Internal Control over Financial Reporting

TAF’s management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management’s authorization and in accordance with the terms of the Agreement; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation and accounting described in Notes 1 and 2 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement for the period October 1, 2015 through September 30, 2017, we considered TAF’s internal controls to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of TAF’s internal control. Accordingly, we do not express an opinion on the effectiveness of TAF’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.

(Continued)

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

Purpose of this Report

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

Restriction on Use

This report is intended for the information of TAF, the United States Agency for International Development, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.


Crowe LLP

Washington, D.C.
April 5, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Trustees
The Asia Foundation
465 California Street, 9th Floor
San Francisco, CA 94104

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of The Asia Foundation ("TAF"), and related notes to the Statement, with respect to cooperative agreement number AID-306-A-14-00008 for the period October 1, 2015 through September 30, 2017. We have issued our report thereon dated April 5, 2019.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the Agreement task orders is the responsibility of the management of TAF.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TAF's Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Restriction on Use

This report is intended for the information of The Asia Foundation, the United States Agency for International Development, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Crowe LLP
Crowe LLP

Washington, D.C.
April 5, 2019

THE ASIA FOUNDATION
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS

None Noted

THE ASIA FOUNDATION
SECTION II: SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Crowe reviewed three prior audit reports that are applicable to USAID's Strengthening Education in Afghanistan (SEA II) project which are pertinent to the audit objectives prescribed by SIGAR. One report contained one audit finding that required corrective action which was relevant to the scope of this report.

Following completion of our review of the report, we conducted follow-up procedures on the matter, as it could have a direct and material effect on the Special Purpose Financial Statement or other financial information significant to the audit objectives. The matter is summarized below.

2017 Single Audit Report Finding 2017-001

TAF's independent auditor noted there were 3 out of 20 subrecipient agreements tested, where the subrecipient agreement did not include identification of the CFDA number within the context of the subaward agreement.

Management's corrective action plan for this matter is as follows:

Management has reemphasized this requirement to all country offices and will continue to provide webinar's, trainings and ad hoc reviews to ensure this important requirement is fulfilled. In addition, [management] has requested that Internal Audit review subawards as part of their testing to verify that CFDA's are included in all US Government subaward agreements.

Crowe performed procedures for 3 subrecipients out of a population of 29 subrecipients, and noted that while the subrecipient agreement might not contain the identification of the relevant CFDA number, the subrecipients in the sample tested were in fact notified of the CFDA number using alternate means of communication.

Management of TAF appears to have fully implemented the corrective action plan.

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- improve effectiveness of the overall reconstruction strategy and its component programs;
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