

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 20-29 Financial Audit

USAID's Challenge Tuberculosis Project in Afghanistan: Audit of Costs Incurred by KNCV Tuberculosis Foundation



MARCH
2020

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 30, 2014, the U.S. Agency for International Development (USAID) awarded the KNCV Tuberculosis Foundation (KNCV) a 5-year, \$524,754,500 cooperative agreement to support the Challenge Tuberculosis (TB) project worldwide.¹ KNCV is working with Management Sciences for Health, a global nonprofit organization, to implement the portion of the project in Afghanistan. Challenge TB supports the detection and treatment of tuberculosis across the country. The initial period of performance began on September 30, 2014, and ran through September 29, 2019. USAID modified the agreement 31 times and extended the period of performance through March 31, 2020.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$4,241,807 in costs that KNCV incurred from October 1, 2017, through September 30, 2018. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in KNCV's internal controls related to the cooperative agreement; (2) identify and report on instances of material noncompliance with the terms of the cooperative agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether KNCV has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of KNCV's Special Purpose Financial Statement (SPFS). See Crowe's report for the precise audit objectives.

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

March 2020

USAID's Challenge Tuberculosis Project in Afghanistan: Audit of Costs Incurred by KNCV Tuberculosis Foundation

SIGAR 20-29-FA

WHAT THE AUDIT FOUND

Crowe did not identify any material weaknesses or significant deficiencies in KNCV'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 agreement, applicable laws, or regulations—and unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Crowe did not identify any prior findings or recommendations from previous audit reports that warranted follow-up.

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

WHAT SIGAR RECOMMENDS

Crowe did not report any findings related to the Challenge TB project in Afghanistan. Therefore, SIGAR is not making any recommendations.

¹ Challenge TB" is the official name of the program, wherein "TB" stands for "tuberculosis."



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

March 20, 2020

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 KNCV Tuberculosis Foundation (KNCV) under a U.S. Agency for International Development cooperative agreement to support the Challenge TB project.¹ Challenge Tuberculosis (TB) in Afghanistan supports the detection and treatment of tuberculosis across the country. Crowe's audit covered \$4,241,807 in costs that KNCV incurred from October 1, 2017, through September 30, 2018. 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 audit of the Challenge TB project in Afghanistan. Therefore, SIGAR is not making any recommendations.

The results of Crowe's audit are 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 KNCV's Special Purpose Financial Statement. We also express no opinion on the effectiveness of KNCV's internal controls or compliance with the task order, laws, and regulations. Crowe is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances where 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-161)

¹ Challenge TB" is the official name of the program, wherein "TB" stands for "tuberculosis." The cooperative agreement number is AID-OAA-A-14-00029.



KNCV Tuberculosis Foundation

Challenge TB Project funded by the U.S. Agency for International Development

Cooperative Agreement No. AID-OAA-A-14-00029

Special Purpose Financial Statement

For the Period October 1, 2017 through September 30, 2018

(With Independent Auditor's Report Thereon)

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TRANSMITTAL LETTER

February 12, 2020

To the Board of Trustees and Executive Director of the KNCV Tuberculosis Foundation
P.O. Box 146
2501 CC The Hague
The Netherlands

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our financial audit of KNCV Tuberculosis Foundation ("KNCV") Cooperative Agreement No. AID-OAA-A-14-00029 for the period October 1, 2017 through September 30, 2018.

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

When preparing our report, we considered comments, feedback, and interpretations of KNCV, SIGAR, and the United States Agency for International Development provided both in writing and orally throughout the audit planning, fieldwork, and reporting phases.

Thank you for providing us the opportunity to work with you and to conduct the audit of KNCV's cooperative agreement.

Sincerely,


John C. Weber, CPA, Partner
Crowe LLP

SUMMARY

Background

KNCV Tuberculosis Foundation (“KNCV”) entered into a cooperative agreement with the U.S. Agency for International Development (“USAID”) to implement the Challenge TB Project under USAID Cooperative Agreement No. AID-OAA-A-14-00029.

The overarching objective of the program is to support countries with high burdens of tuberculosis (TB), multidrug-resistant TB (MDR-TB), and human immunodeficiency TB (TB/HIV) cases. In addition, the program seeks to decrease the incidences of TB worldwide by helping provide expanded access to prevention services, improved patient-centered, quality care services for TB, MDR-TB, and TB/HIV, and sustained and enhanced systems. The project vision aligns with the World Healthcare Organization’s proposed post-2015 strategy, USAID’s vision of a world free of TB, and the principles of USAID Forward, the Global Health Initiative, and USAID’s gender, youth, and evaluation policies.

The program is funded by Cooperative Agreement No. AID-OAA-A-14-00029, which incorporated an initial budget of \$524,754,500 for worldwide activity with an initial period of performance from September 30, 2014 through September 29, 2019. The agreement has been modified 31 times. Modification 26 extended the period of performance to March 31, 2020. The audit’s scope includes activity within the period October 1, 2017 through September 30, 2018. Modifications 1 through 20 are applicable to the period under audit. During the audit period, KNCV incurred \$4,241,807 in costs for this program in Afghanistan. KNCV utilized one subrecipient, Management Sciences for Health (“MSH”), to execute the scope of work. Approximately \$4,150,742 in costs were incurred by MSH during the audit period.

Modification	Purpose
01	<ul style="list-style-type: none"> Changed the payment mechanism from direct reimbursement to advance.
02	<ul style="list-style-type: none"> Provided incremental funding in the amount of \$14,400,304, increasing the obligation from \$25,246,987 to \$39,647,291.
03	<ul style="list-style-type: none"> Provided incremental funding in the amount of \$17,611,473, increasing the obligation from \$39,647,291 to \$57,258,764.
04	<ul style="list-style-type: none"> Provided incremental funding in the amount of \$14,024,341, increasing the obligation from \$57,258,764 to \$71,283,105. Incorporated an additional requirement prohibiting the provision of financial assistance to entities that require certain internal confidentiality agreements.
05	<ul style="list-style-type: none"> Provided incremental funding in the amount of \$7,224,790, increasing the obligation from \$71,283,105 to \$78,507,895.
06	<ul style="list-style-type: none"> Provided incremental funding in the amount of \$6,756,668, increasing the obligation from \$78,507,895 to \$85,264,563. Incorporated a requirement to obtain prior written approval for any proposed daily rates for external consultants above \$700 per day. Incorporated revisions to USAID’s mandatory provisions (non-financial revisions).
07	<ul style="list-style-type: none"> Provided incremental funding in the amount of \$15,294,000, increasing the obligation from \$85,264,563 to \$100,558,563. Added a requirement regarding a sanctions program pertaining to human rights violations in Burman.
08	<ul style="list-style-type: none"> Provided incremental funding in the amount of \$36,635,684, increasing the obligation from \$100,558,563 to \$137,194,247.
09	<ul style="list-style-type: none"> Provided incremental funding in the amount of \$20,281,293, increasing the obligation from \$137,194,247 to \$157,475,540.
10	<ul style="list-style-type: none"> Provided incremental funding in the amount of \$1,603,471, increasing the obligation from \$157,475,540 to \$159,079,011.

(Continued)

Modification	Purpose
11	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$25,989,284, increasing the obligation from \$159,079,011 to \$185,068,305.
12	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$18,792,521, increasing the obligation from \$185,068,305 to \$203,860,826. • Changed the project director from Maarten Van Cleeff to Mustapha Gldado.
13	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$22,202,449, increasing the obligation from \$203,860,826 to \$226,063,275.
14	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$10,480,592, increasing the obligation from \$226,063,275 to \$236,543,867.
15	<ul style="list-style-type: none"> • Administrative changes and update of Standard Provisions.
16	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$29,217,310, increasing the obligation from \$236,543,667 to \$265,761,177.
17	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$18,353,206, increasing the obligation from \$265,761,177 to \$284,114,383. • Update the standard provisions: Attachment D – Provisions, Mandatory Standard Provisions for Non-US Nongovernmental organization; Required as Applicable Standard Provisions for Non-US nongovernmental Organizations.
18	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$15,436,038, increasing the obligation from \$284,114,363 to \$299,552,421.
19	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$11,461,687, increasing the obligation from \$299,552,421 to \$311,014,108.
20	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$2,991,143, increasing the obligation from \$311,014,108 to \$314,005,251.
21	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$23,853,714, increasing the obligation from \$314,005,251 to \$337,858,965.
22	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$3,253,254, increasing the obligation from \$337,858,965 to \$341,112,219
23	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$4,662,350, increasing the obligation from \$314,112,219 to \$345,774,569.
24	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$10,126,103, increasing the obligation from \$345,774,569 to \$355,900,672.
25	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$5,293,000, increasing the obligation from \$355,900,672 to \$361,193,672.
26	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$557,000 increasing the obligation from \$361,193,672 to \$361,750,672. • Period of performance changed to end March 31, 2020
27	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$5,293,000, increasing the obligation from \$361,750,672 to \$363,954,154.
28	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$4,055,000, increasing the obligation from \$363,954,154 to \$368,009,154.
29	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$500,000, increasing the obligation from \$368,009,154 to \$368,509,154.
30	<ul style="list-style-type: none"> • Administrative update for 10/02/2019 indirect cost rate.
31	<ul style="list-style-type: none"> • Provided incremental funding in the amount of \$436,225, increasing the obligation from \$368,509,154 to \$368,945,379.

(Continued)

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 KNCV’s Cooperative Agreement No. AID-OAA-A-14-00029.

Audit 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 (“the Statement”) for the cooperative agreement presents fairly, in all material respects, revenues received, costs incurred in Afghanistan, and commodities directly procured by USAID for the period audited in conformity with the terms of the cooperative agreement and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

Evaluate and obtain a sufficient understanding of KNCV’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

Perform tests to determine whether KNCV 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 all illegal acts that have occurred or are likely to have occurred.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Determine and report on whether KNCV 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, 2017 through September 30, 2018. The audit was limited to those matters and procedures pertinent to the agreement that have a direct and material effect on the Special Purpose Financial Statement (“the Statement”) and evaluation of the presentation, content, and underlying records of the Statement. The audit included reviewing the financial records that support the Statement to determine if there were material misstatements and if the Statement was presented in the format required by the SIGAR. In addition, the following compliance areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Activities;
- Allowable Costs;
- Cash Management;
- Cost Sharing/Matching;
- Equipment and Real Property Management;
- Procurement;
- Reporting; and
- Subrecipient/Subawardee Monitoring.

(Continued)

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the Statement, 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 Statement, transactions were selected from the financial records underlying the Statement and were tested to determine if the transactions were recorded in accordance with the basis of accounting identified by the auditee; were incurred within the period covered by the Statement and are in alignment with specified cutoff dates; and were adequately supported.

With regard to Audit Objective 2 regarding internal control, Crowe conducted interviews and reviewed copies of policies and procedures provided by KNCV to obtain an understanding of the system of internal control established by KNCV. The system of internal control is intended to provide reasonable assurance of achieving reliable financial and performance reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 requires that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the cooperative agreement. Crowe identified – through review and evaluation of the cooperative agreement executed by and between KNCV and USAID – the criteria against which to test the Statement and supporting financial records and documentation. Using sampling techniques, Crowe selected expenditures, advance requests submitted by KNCV to the Government, subrecipients, procurements, reports, and equipment items for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess KNCV's compliance.

Regarding Audit Objective 4, Crowe inquired of SIGAR, KNCV, and USAID regarding prior audits, reviewed prior reports to obtain an understanding of the nature of audit reports and other assessments that were completed, and that required corrective action. Crowe reviewed four audit reports. These reports contained no findings.

Summary of Results

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

Crowe also reported on both KNCV's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the cooperative agreement. No findings were reported.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to KNCV's financial performance under this cooperative agreement. Based on Crowe's communications with KNCV, SIGAR, and USAID. There were four such previous reports issued. No findings were present in these reports. Therefore, Crowe did not conduct additional follow-up procedures regarding the previous engagement findings.

Whereas no findings were included in Crowe's report, management comments were not obtained from KNCV.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the Board of Trustees and Executive Director of the KNCV Tuberculosis Foundation
P.O. Box 146
2501 CC The Hague
The Netherlands

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

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement ("the Statement") of KNCV Tuberculosis Foundation ("KNCV"), and related notes to the Statement, for the period October 1, 2017 through September 30, 2018, with respect to the Challenge TB Project funded by Cooperative Agreement No. AID-OAA-A-14-00029.

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") and the terms and conditions of Cooperative Agreement No. AID-OAA-A-14-00029 ("the Agreement"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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, the revenues earned, costs incurred, and balance for the indicated period in accordance with the requirements established by the Office of the Special Inspector General for Afghanistan Reconstruction and on the basis of presentation and accounting described in Notes 1, 2, 4, and 6.

Basis of Presentation and Accounting

We draw attention to Notes 1, 2, 4, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement was prepared by KNCV 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 No. AID-OAA-A-14-00029, 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 KNCV, 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 February 12, 2020, on our consideration of KNCV's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, the cooperative agreement, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KNCV's internal control over financial reporting and compliance.


Crowe LLP

Washington, D.C.
February 12, 2020

KNCV Tuberculosis Foundation
Special Purpose Financial Statement
Cooperative Agreement . AID-OAA-A-14-00029
For the Period October 01, 2017, to September 30, 2018

	<u>Questioned Costs</u>				<u>Notes</u>
	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	
Revenues					
Award No. AID-OAA-A-14-00029	\$ 3,658,670	\$ 3,976,016			
Total Revenue	<u>\$ 3,658,670</u>	<u>3,976,016</u>			4
Costs Incurred					
Contractual	\$ 3,567,600	4,150,742			5
Indirect Costs	4	-			8
Other costs (Allocable Cost Factor)	91,065	91,065			
Total Costs Incurred	<u>\$ 3,658,670</u>	<u>4,241,807</u>	<u>\$ -</u>	<u>\$ -</u>	
Balance		<u>\$ (265,791)</u>	<u>\$ -</u>	<u>\$ -</u>	6

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

KNCV Tuberculosis Foundation
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
For the Period October 1, 2017, through September 30, 2018

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Cooperative Agreement No. AID-OAA-A-14-00029 for the Challenge TB project for the period October 1, 2017 up to September 30, 2018. Because the Statement presents only a selected portion of the operations of the KNCV Tuberculosis Foundation ("KNCV"), it is not intended to and does not present the financial position, changes in net assets, or cash flows of KNCV. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal cooperative agreement. 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

Revenues and expenditures reported on the Statement are reported on the modified accrual basis of accounting. Expenditures are recognized following the cost principles contained in Subpart E of 2 CFR Part 200, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Foreign Currency Translation Method

No expenses were made at KNCV The Hague during the period covered by the SPFS. All reported expenditures were incurred by Management Sciences for Health ("MSH"). MSH recorded transactions in local currency and converted to U.S. dollars (USD), applying a monthly average exchange rate.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which KNCV is entitled to receive from USAID for allowable, eligible costs incurred under the cooperative agreement during the period of performance.

Note 5. Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final workplan as approved by the United States Agency for International Development - Washington on November 22, 2017, for the October 1, 2017, through September 30, 2018, program year.

Note 6. 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 reported balance of (\$265,791) represents costs incurred by KNCV's subrecipient as of the end of the audit period but for which KNCV had not yet completed its evaluation of all applicable documentation and obtained reimbursement from USAID.

(Continued)

KNCV Tuberculosis Foundation
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
For the Period October 1, 2017, through September 30, 2018

Note 7. Currency

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

Note 8. Subrecipients

MSH received a subaward of \$3,567,600 for the period October 1, 2017 up to September 30, 2018. Total MSH costs recorded by KNCV during the period under audit are \$4,150,742. The excess of expenses over budget relates to MSH expenses incurred during a prior budget period but that were not recognized by KNCV as an allowable, reimbursable cost until the current period.

Note 9. Program Status

The Challenge TB is active. The period of performance for the award is scheduled to conclude on March 31, 2020 as noted in Modification 26 dated June 4, 2019. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of the approval process of the submitted audit reports for FY16, FY17, and FY18 for Challenge TB.

Note 10. Reconciliation of Revenue Earned and Disbursements by KNCV

On the Statement, KNCV reports \$3,976,016 of revenues earned, which are comprised of the following:

Disbursements from USAID to KNCV:	\$3,884,951
Allocable Cost Factor:	<u>91,065</u>
Total Revenue Earned:	<u>\$ 3,976,016</u>

Note 11. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the October 1, 2017 up to September 30, 2018 period covered by the Statement. Management has performed their analysis through February 12, 2020.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Trustees and Executive Director of the KNCV Tuberculosis Foundation
P.O. Box 146
2501 CC The Hague
The Netherlands

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (“the Statement”) of KNCV Tuberculosis Foundation (“KNCV”), and related notes to the Statement, for the period October 1, 2017 through September 30, 2018, with respect to Cooperative Agreement No. AID-OAA-A-14-00029. We have issued our report thereon dated February 12, 2020.

Internal Control over Financial Reporting

KNCV'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 cooperative agreement; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Notes 1, 2, 4 and 6 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 control 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, 2017 through September 30, 2018, we considered KNCV'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 KNCV's internal control. Accordingly, we do not express an opinion on the effectiveness of KNCV'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 Statement 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 second 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 KNCV, the U.S. 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.
February 12, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Trustees and Executive Director of the KNCV Tuberculosis Foundation
P.O. Box 146
2501 CC The Hague
The Netherlands

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement ("the Statement") of KNCV Tuberculosis Foundation ("KNCV"), and related notes to the Statement, for the period October 1, 2017 through September 30, 2018, with respect to Cooperative Agreement No. AID-OAA-A-14-00029. We have issued our report thereon dated February 12, 2020

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the awards is the responsibility of the management of KNCV.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 KNCV's compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of KNCV, 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.
February 12, 2020

KNCV Tuberculosis Foundation
SECTION II: SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT FINDINGS

Crowe reviewed four prior audit, review, or assessment reports. The reports contained no findings and recommendations. Accordingly, Crowe did not conduct procedures pertaining to the prior audit findings.

The reports reviewed by Crowe are listed below:

1. Financial Audit of Costs Incurred by KNCV Tuberculosis Foundation, Challenge TB Program in Afghanistan, Cooperative Agreement AID-OAA-A-14-00029, for the period January 1, 2015, to September 30, 2017;
2. USAID Audit Report for the year ended September 30, 2016;
3. USAID Audit Report for the year ended September 30, 2017; and
4. KNCV Tuberculosis Foundation, USAID Audit Report, for the year ended September 30, 2018.

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SIGAR's Mission

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

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

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

Public Affairs

Public Affairs Officer

- Phone: 703-545-5974
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- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202