

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 21-40 Financial Audit

USAID's Emergency Water, Sanitation, and Hygiene Assistance to Disaster Affected Populations in Afghanistan: Audit of Costs Incurred by the Agency for Technical Cooperation and Development



JUNE
2021

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On January 19, 2018, the U.S. Agency for International Development's Office of U.S. Foreign Disaster Assistance (USAID/OFDA) awarded a \$3 million cooperative agreement to the Agency for Technical Cooperation and Development (ACTED) to provide emergency water, sanitation and hygiene assistance to populations affected by disaster and conflict in Afghanistan's Balkh, Takhar, and Badakhshan provinces. The initial period of performance for the agreement was from December 1, 2017 (over a month before USAID/OFDA issued the award), through May 31, 2019. After two modifications, the agreement's scope of services expanded to include Faryab and Jawzjan provinces, the total funding increased to \$4 million, and the end date extended from May 31, 2019, to August 31, 2019.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$4 million in costs charged to the award from December 1, 2017, through August 31, 2019. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in ACTED's internal controls related to the cooperative 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 ACTED has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of ACTED'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, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

June 2021

USAID's Emergency Water, Sanitation, and Hygiene Assistance to Disaster Affected Populations in Afghanistan: Audit of Costs Incurred by the Agency for Technical Cooperation and Development

SIGAR 21-40-FA

WHAT SIGAR FOUND

Crowe identified four deficiencies in ACTED's internal controls, and three instances of noncompliance with the terms of the cooperative agreement. For example, during testing of supply purchase controls, Crowe noted that two cellular phones, valued at \$421, were missing. While ACTED reported the phones as lost, it did not ensure that this equipment was no longer charged to the program. Crowe also found that ACTED did not report deviations from its approved budget plan to USAID/OFDA, as required by the cooperative agreement.

Crowe identified \$421 in total questioned costs, consisting entirely of unsupported costs—costs not supported with adequate documentation or that do not have required prior approval. There were no identified ineligible costs—costs prohibited by the contract and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Equipment	\$0	\$421	\$421
Total Costs	\$0	\$421	\$421

Crowe identified two prior financial reports that were relevant to ACTED's agreement. These reports had no findings and recommendations requiring follow-up.

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

WHAT SIGAR RECOMMENDS

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

- 1. Determine the allowability of and recover, as appropriate, \$421 in questioned costs identified in the report.**
- 2. Advise ACTED to address the report's four internal control findings.**
- 3. Advise ACTED to address the report's three noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

June 24, 2021

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

Ms. Sarah Charles
Assistant to the Administrator, Bureau for Humanitarian Assistance
U.S. Agency for International Development

Dr. Tina Dooley-Jones
USAID Mission Director for Afghanistan

We contracted with Crowe LLP (Crowe) to audit the costs incurred by the Agency for Technical Cooperation and Development (ACTED) under a cooperative agreement from the U.S. Agency for International Development's Office of U.S. Foreign Disaster Assistance (USAID/OFDA) to provide emergency water, sanitation, and hygiene assistance to populations affected by disaster and conflict in Afghanistan's Balkh, Takhar, and Badakhshan provinces.¹ Crowe reviewed \$4 million in costs charged to the agreement from December 1, 2017, through August 31, 2019. 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.

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

- 1. Determine the allowability of and recover, as appropriate, \$421 in questioned costs identified in the report.**
- 2. Advise ACTED to address the report's four internal control findings.**
- 3. Advise ACTED to address the report's three noncompliance findings.**

Crowe discusses the results of the audit 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 ACTED's Special Purpose Financial Statement. We also express no opinion on the effectiveness of ACTED's internal control or compliance with the contract, 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.

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, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-204)

¹ The cooperative agreement number is 720FDA18CA00001.



Agency for Technical Cooperation and Development
Financial Audit of Costs Incurred Under
Award No. 720FDA18CA00001
Special Purpose Financial Statement
For the Period December 1, 2017 through August 31, 2019
(With Independent Auditor's Report Thereon)

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TRANSMITTAL LETTER

May 6, 2021

To the Board of Directors and Management of the Agency for Technical Cooperation and Development
33, Rue Godot de Mauroy,
75009 Paris, France

To the 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 our audit of the Special Purpose Financial Statement ("SPFS") applicable to the United States Agency for International Development ("USAID") cooperative agreement number 720FDA18CA00001 awarded to the Agency for Technical Cooperation and Development ("ACTED") on January 19, 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, our report on internal control, and our 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 ACTED, USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR"), provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses have been incorporated as Appendix A to this report.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Bert Nuehring".

Bert Nuehring, CPA, Partner
Crowe LLP

SUMMARY

Background

The United States Agency for International Development (“USAID”) awarded a cooperative agreement to the Agency for Technical Cooperation and Development (“ACTED”) to provide support for a program entitled Emergency Water, Sanitation and Hygiene (“WASH”) assistance to disaster affected populations in Balkh, Takhar and Badakhshan, provinces.¹ The purpose of the program is to alleviate immediate WASH needs of natural disaster and conflict affected populations in the aforementioned provinces.

ACTED provides the following types of assistance activities, to the aforementioned provinces for the benefit of an estimated 95,061² beneficiaries:

1. Respond to emergency WASH needs of disaster affected populations, through enhancing access to water and sanitation infrastructures, and promoting best hygiene practices; and
2. Provide lifesaving relief commodities to populations affected by rapid onset emergencies.

Please see the original period of performance and budget amount for the cooperative agreement, below:

Item	Performance Period	Award
720FDA18CA00001	December 1, 2017 – May 31, 2019	\$3,000,000

Throughout the course of the performance period, USAID issued two modifications to award 720FDA18CA00001. The modifications are summarized below:

Modification	Purpose
01	<ul style="list-style-type: none"> • Increased total estimated and obligated amount from \$3,000,000 to \$4,000,000. • Increased the scope of the services provided to the Faryab and Jawzjan provinces. • Revise the award budget to accommodate the additional funding. • Update Section 1.5. Areas updated within Section 1.5 include: Performance Baseline Data, Semi-annual Program Performance Reports, Annual Work-Plans, and Monitoring and Evaluation Plan. • Update Agreement Officer Representative in section 1.12. Replaced Ms. QueTran Nguyen with Ms. Sarah Simpkins. • Update Special Provisions in Sections 1.13 and Standard Provisions in Sections 1.14. For Section 1.13, adjusted Non-Federal Audits paragraph and deleted Special Provision for Performance in Afghanistan in its entirety. For Section 1.14, replaced Standard Provision No. 11 with Recipient and Employee Conduct, added Mandatory Standard Provision No. 28 “Conflict of Interest”, and renumbered the listing of Standard Provisions.
02	<ul style="list-style-type: none"> • Change completion date from May 31, 2019, to August 31, 2019.

Crowe’s audit encompasses the period December 1, 2017 through August 31, 2019, inclusive of the closeout period. During this period, ACTED reported \$4,000,000 in costs incurred under the cooperative agreement.

¹ Modification #1 to the cooperative agreement increased the scope of the services provided to the Faryab and Jawzjan Provinces

² Cooperative Agreement Number 720FDA18CA00001, pg. 18

Work Performed

SIGAR engaged Crowe LLP (“Crowe” or “we” or “our”) to conduct a closeout audit of cooperative agreement number 720FDA18CA00001.

Objectives Defined by SIGAR

The following audit objectives were defined by SIGAR:

Audit Objective 1 – *Special Purpose Financial Statement*

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

Audit Objective 2 – *Internal Controls*

Evaluate and obtain a sufficient understanding of ACTED’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 ACTED 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 ACTED 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 from December 1, 2017 through August 31, 2019. The audit was limited to those matters and procedures pertinent to the cooperative agreement that has a direct and material effect on the 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 compliance areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Costs and Activities;
- Cash Management;
- Equipment and Property;
- Procurement; and
- Reporting.

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 review comments, as applicable.

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded in accordance with the terms and conditions of the award and the cash basis of accounting; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the award; and were adequately supported.

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 ACTED during the period of performance. 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 period of performance. 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 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the award. Crowe identified – through review and evaluation of the award issued by USAID to ACTED – 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 (“AICPA”), Crowe selected transactions, requests for advanced payments and reimbursements submitted to USAID, procurements, equipment and supplies, and reports for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess ACTED'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. In addition, Crowe conducted closeout audit procedures. Such procedures included, but were not limited to, assessing whether cash receipts exceeded revenue earned, final physical inventories were performed, and equipment and supplies were properly disposed of in accordance with the U.S. Government's directives.

Regarding Audit Objective 4, Crowe inquired of ACTED, SIGAR, and USAID personnel participating in the audit entrance conference to gain an understanding about whether there were prior audits, reviews, or assessments performed that were pertinent to the audit's 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 two prior audit reports. The reports follow:

- Independent Auditor's Report, Audit of U.S Resources for the Fiscal Year 2018 by Emargency Experts; and
- Independent Auditor's Report, Audit of U.S Resources for the Fiscal Year 2019 by Emargency Experts.

Summary of Results

Upon completion of Crowe's procedures, Crowe identified four findings that met 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 cooperative agreement; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued an unmodified opinion on the SPFS, noting the SPFS presents fairly, in all material respects, revenues earned, costs incurred, and balances for the period audited.

Crowe also reported on both ACTED's internal controls over financial reporting and compliance with applicable laws, rules, regulations, and the terms and conditions of the cooperative agreement. Three (3) significant deficiencies in internal control, one (1) deficiency in internal control, and three (3) instances of noncompliance with the terms and conditions of the cooperative agreement were reported. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding. Crowe also issued a letter to management addressing additional matters identified during the audit that did not meet one or more of the criteria for inclusion in the audit report.

In response to the identified instances of noncompliance, Crowe reported \$421 in questioned costs. SIGAR requires questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by the award or applicable laws and regulations, or that are unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or did not have the required prior approvals or authorizations. The questioned costs Crowe identified were unsupported. The following 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.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to ACTED's financial performance under the award. Based on Crowe's communications with ACTED, SIGAR, and USAID, there were two such previous reports issued:

- Independent Auditor's Report, Audit of U.S Resources for the Fiscal Year 2018 by Emargency Experts; and
- Independent Auditor's Report, Audit of U.S Resources for the Fiscal Year 2019 by Emargency Experts.

Crowe reviewed the reports and did not identify any findings that were direct and material to the award under audit. During our review of the reports, we noted that follow-up on the prior findings had been completed by previous auditors. Through our review, we noted the prior audit reports indicated that adequate corrective action had been taken, such that no additional follow-up was required. Additional details are provided in **Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings.**

The following 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.

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2019-01	Notification of Budget Deviations Not Made to USAID	Significant Deficiency	\$0
2019-02	Record Retention of Standard Form 270 Supporting Documentation for Amounts Requested for Reimbursement	Significant Deficiency and Noncompliance	\$0
2019-03	Late Submission of Financial and Program Reports	Significant Deficiency and Noncompliance	\$0
2019-04	Lost Cell Phones No Longer Benefitting the Program	Deficiency and Noncompliance	\$421
Total Questioned Costs:			\$421

Summary of Management Comments

ACTED disagreed with two of the four audit findings. The following contains a summary of management's responses:

1. Finding 2019-01: ACTED disagreed with the finding based on their belief that reporting of budget deviations is not required.
2. Finding 2019-02: ACTED disagreed with the finding based on its belief that retention of documentation supporting the Standard Form 270, *Request for Advance or Reimbursement*, is not required.
3. Finding 2019-03: ACTED agreed with the finding.
4. Finding 2019-04: ACTED agreed with the finding.

Reference to Appendices

The auditor's reports are supplemented by four appendices: **Appendix A**, which contains management's responses to the audit findings, **Appendix B**, which contains Crowe's rebuttal, **Appendix C**, which contains the final inventory for the cooperative agreement, and **Appendix D**, which contains the pictures of the digging wells site visits.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the Board of Directors and Management of the Agency for Technical Cooperation and Development
33, Rue Godot de Mauroy,
75009 Paris, France

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 the Agency for Technical Cooperation and Development ("ACTED"), and related notes to the Statement, with respect to United States Agency for International Development ("USAID"), cooperative agreement number 720FDA18CA00001 for the period December 1, 2017 through August 31, 2019.

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 number 720FDA18CA00001. 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 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 Special Purpose Financial Statement referred to above pertaining to cooperative agreement number 720FDA18CA00001 presents fairly, in all material respects, the revenues earned, costs incurred, and balance for the indicated period in accordance with the basis of presentation and accounting described in Notes 1, 2, 4, 5, and 6.

Basis of Presentation and Accounting

We draw attention to Notes 1, 2, 4, 5, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in a format required by SIGAR and presents those amounts as permitted under the terms of the cooperative agreement number 720FDA18CA00001, 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 ACTED, USAID, and SIGAR. 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 our reports dated April 30, 2021, on our consideration of ACTED's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, grants and 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACTED's internal control over financial reporting and compliance.


Crowe LLP

Washington, D.C.
April 30, 2021

**Agency for Technical Cooperation and Development
Special Purpose Financial Statement
Agreement No. 720FDA18CA00001
For the Period December 1, 2017 to August 31, 2019**

	Budget	Actual	Questioned Costs		Notes
			Ineligible	Unsupported	
Revenue					
720FDA18CA00001	\$ 4,000,000	\$ 4,000,000			
Total Revenue	<u>4,000,000</u>	<u>4,000,000</u>			4
Costs Incurred					
1.1 National Staff	1,457,915	1,425,566			5
1.2 International Staff	319,250	310,667			
1.3 Fringe Benefits - Food Allowance	90,990	98,657			
1. TOTAL International & National Staff Costs	1,868,155	1,834,890			
2. Travels	64,460	73,935			
3. Equipment	17,600	21,483		421	A
4. Other Direct Costs	368,375	480,058			
5. USAID Branding and Marketing	8,959	4,987			
6. Program Activities	1,381,649	1,307,655			
SUBTOTAL	3,709,198	3,723,008			
Indirect Costs (7.44% only for OFDA funding)	290,801	276,992			
Total Costs Incurred	<u>4,000,000</u>	<u>4,000,000</u>		<u>421</u>	
Balance		<u>\$ -</u>		<u>\$ 421</u>	6

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

Agency for Technical Cooperation and Development
Notes to the Special Purpose Financial Statement
Agreement No. 720FDA18CA00001
For the Period December 1, 2017 to August 31, 2019

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Award Number 720FDA18CA00001 for the "Emergency WASH assistance to Disaster affected populations in Balkh, Takhar and Badakhshan Provinces" for the period December 1, 2017, to August 31, 2019. Because the Statement presents only a selected portion of the operations of the Agency for Technical Cooperation and Development ("ACTED"), it is not intended to and does not present the financial position, changes in net assets, or cash flows of ACTED. The information in the 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 Number 720FDA18CA00001. 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 cash basis of accounting and recorded within ACTED's accounting system. Expenditures are recognized following the cost principles contained in single-entry cash accounting software called SAGA.

Note 3. Foreign Currency Translation Method

ACTED's final report was presented in United States Dollars ("USD"), and conversion from local currencies into USD were made following the Inforeuro exchange rate, as per ACTED's global accounting policies.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which ACTED has received 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, approved award budget adopted as a component of the 720FDA18CA00001 Modification #1 (P001) to the award dated January 19, 2018.

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 award 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.

Note 7. Currency

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

(Continued)

Agency for Technical Cooperation and Development
Notes to the Special Purpose Financial Statement
Agreement No. 720FDA18CA00001
For the Period December 1, 2017 to August 31, 2019

Note 8. Program Status

The “Emergency WASH assistance to Disaster affected populations in Balkh, Takhar and Badakhshan Provinces” is complete.

Note 9. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the December 1, 2017, to August 31, 2019 period covered by the Statement. Management has performed their analysis through April 30, 2021.

Agency for Technical Cooperation and Development
Notes to the Questioned Costs Presented on the Special Purpose Financial Statement
Agreement No. 720FDA18CA00001
For the Period December 1, 2017 to August 31, 2019

- A. Finding 2019-02 questioned \$421 in unsupported costs. During our testing of four (4) equipment related purchases made under the WASH program, one of the purchases was made for (10) cellular phones for a total cost of \$2,107. During the audit period, ACTED reported that two (2) of the 10 cell phones were reported lost on the "Out of Inventory" form. At that point the two cellular phones reported as lost were no longer allocable to the award and should not have been charged to the United States Government, the result of which is \$421 of questioned costs.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management of the Agency for Technical Cooperation and Development
33, Rue Godot de Mauroy,
75009 Paris, France

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 the Agency for Technical Cooperation and Development. ("ACTED"), and related notes to the Statement, with respect to United States Agency for International Development ("USAID") cooperative agreement number 720FDA18CA00001 for the period December 1, 2017 to August 31, 2019. We have issued our report thereon dated April 30, 2021.

Internal Control over Financial Reporting

ACTED'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 accounting and presentation described in Notes 1, 2, 4, 5, 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 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, we considered ACTED's internal control over financial reporting (internal control) as a basis for designing 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 ACTED's internal control. Accordingly, we do not express an opinion on the effectiveness of ACTED's internal control.

(Continued)

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 second 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-01, 2019-02, and 2019-03 to be significant deficiencies.

We noted certain matters that we reported to ACTED's management in a separate letter dated April 30, 2021.

Agency for Technical Cooperation and Development's Response to the Findings

ACTED's response to the findings identified in our audit are described in Appendix A to our report. ACTED's response to the findings was not subject to the auditing procedures applied in the audit of the 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 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 ACTED, 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 30, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors and Management of the Agency for Technical Cooperation and Development
33, Rue Godot de Mauroy,
75009 Paris, France

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 the Agency for Technical Cooperation and Development. ("ACTED"), and related notes to the Statement, with respect to United States Agency for International Development ("USAID") cooperative agreement number 720FDA18CA00001 for the "Emergency WASH assistance to disaster affected populations in Balkh, Takhar and Badakhshan, provinces" for the period December 1, 2017 to August 31, 2019. We have issued our report thereon dated April 30, 2021.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the cooperative agreement is the responsibility of the management of ACTED.

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 the 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 three instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-02, 2019-03, and 2019-04.

Agency for Technical Cooperation and Development's Response to the Findings

ACTED's response to the findings identified in our audit are described in Appendix A of this report. ACTED's response was not subjected to the auditing procedures applied in the audit of the 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 ACTED, 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 30, 2021

Agency for Technical Cooperation and Development
Section I: Schedule of Findings and Questioned Costs
Agreement No. 720FDA18CA00001
For the Period December 1, 2017 to August 31, 2019

Finding 2019-01: Notification of Budget Deviations Not Made to USAID

Significant Deficiency in Internal Control

Condition: During our review of the costs reported on ACTED’s Special Purpose Financial Statement, we noted overages from the budgeted amounts in the Travel, Equipment, and USAID Branding/Marketing budgetary accounts. As required by the cooperative agreement, ACTED was expected to report deviations from the approved budget plan. Based upon our review of programmatic and financial reports provided by management, we noted ACTED did not report the budget deviations to USAID. We also inquired of ACTED to ascertain whether the deviations were reported through other means to USAID. No additional support was provided.

	<u>Budget</u>	<u>Actuals</u>	<u>Overage</u>
Costs Incurred			
Award No. 720FDA18CA00001			
Travel	\$ 64,460	\$ 73,935	\$ (9,475)
Equipment	17,600	21,483	(3,883)
USAID Branding/Marketing	<u>368,375</u>	<u>480,058</u>	<u>(111,683)</u>
Total Overages	<u>450,435</u>	<u>575,476</u>	<u>(125,041)</u>

Criteria: Section 1.4(b)(1), *Reporting of Deviations from Budget Plan*, of the agreement states: “The summary budget set forth in paragraph (a) is based on the detailed budget that the Recipient submitted with its application for this Agreement. The Recipient’s detailed budget (as may be adjusted by USAID to correct any mathematical errors) constitutes the approved budget plan for this Agreement.”

The *ACTED Global Finance Procedure Manual*, Section 5.5, “Reports,” states: “the national staff cross checks the level of expenditure for each funding line with the overall original budget (or amended budget if any). ACTED verifies that the amounts have been properly respected according to the flexibility guidelines, which includes the budget follow-up of anticipated variance of expenses on a specific funding line compared to the initial budget.”

Effect: Due to the over-spending by line item, funds may not have been expended as intended by the Government.

Cause: ACTED did not follow its procedure to monitor budgeted expenditures to actual incurred costs to ensure alignment with the approved budget. Adequate training was not provided to ACTED personnel regarding the reporting of budget deviations to USAID.

Recommendation: We recommend that ACTED provide training to individuals with financial responsibility for federal award budgets regarding the expectation that deviations from the approved budget be disclosed to the U.S. Government.

(Continued)

Agency for Technical Cooperation and Development
Section I: Schedule of Findings and Questioned Costs
Agreement No. 720FDA18CA00001
For the Period December 1, 2017 to August 31, 2019

Finding 2019-02: ACTED Did Not Retain Supporting Documentation for Amounts Requested for Reimbursement on Standard Form 270

Significant Deficiency and Noncompliance

Condition: During the audit period, ACTED submitted ten (10) requests for reimbursement and advance payments to USAID using the Standard Form-270 Request for Advance ("SF 270"). Crowe selected three of the requests for testing of compliance with cash management requirements. During our testing, we did not identify instances in which excess cash was drawn down or otherwise retained such that no funds or requests are in question.

We noted that ACTED did not retain supporting documentation to identify the transactions included within each funding request, to document the estimates used to demonstrate amounts requested represent only immediate cash needs, or to determine that the indirect cost calculations were consistent with the provisions of the Negotiated Indirect Cost Rate Agreement ("NICRA").

Criteria: Per Attachment 3 – Standard Provisions of the Agreement: Accounting, Audit, and Records, " The recipient must maintain financial records, supporting documents, statistical records and all other records, to support performance of, and charges to, this award. Such records must comply with accounting principles generally accepted in the U.S., the cooperating country, or by the International Accounting Standards Board (a subsidiary of the International Financial Reporting Standards Foundation). Accounting records and supporting documentation must, at a minimum, be adequate to show all costs incurred under this award; receipt and use of goods and services acquired under this award; the costs of the program supplied from other sources; and the overall progress of the program. Unless otherwise notified by USAID, the recipient records and subrecipient records that pertain to this award must be retained for a period of three years from the date of submission of the final expenditure report."

Effect: Not retaining the supporting documentation related to the SF 270 requests could result in questioned costs due to an inability to determine whether more cash was drawn than was otherwise needed.

Cause: ACTED did not have policies and procedures in place that govern document retention of financial records as required per the Standard Provisions of the Agreement.

Recommendation: We recommend that ACTED:

1. Develop, document, and implement policies and procedures that govern document retention requirements of financial records as stated in the Standard Provisions; and
2. Provide training to staff regarding the implementation of the policy.

(Continued)

Agency for Technical Cooperation and Development
Section I: Schedule of Findings and Questioned Costs
Agreement No. 720FDA18CA00001
For the Period December 1, 2017 to August 31, 2019

Finding 2019-03: Late Submission of Financial and Program Reports

Significant Deficiency and Noncompliance

Condition: ACTED submitted some financial and performance reports late. During our testing of the financial and program reports, we reviewed four (4) quarterly financial reports, four (4) quarterly performance reports, the final program report, and the final federal financial report. The total population of reports included six quarterly financial reports, six quarterly performance reports, one final program report, and one final federal financial report. Per the submission support provided by ACTED, we noted two (2) of the quarterly performance reports, the final program report, and the final federal financial report were submitted after the due date. Refer to the table below for the reports identified as past due, the submission dates, and due dates.

Selection #	Title	Submission Date	Due Date
6	Quarterly Performance Reports 3/31/2019	5/2/2019	4/30/2019
8	Quarterly Performance Reports 03/31/2018	5/2/2018	4/30/2018
9	Final Program Report	3/29/2020	11/30/2019
10	Final Federal Financial Report	3/29/2020	11/30/2019

Criteria: According to the agreement, section 1.5 *Reporting, Monitoring, and Evaluation* part (a) Financial Reporting states: " the Final Financial Report is due not later than 90 days after the estimated completion date as established in Section 1.2 of the agreement."

According to the agreement, section 1.5 *Reporting, Monitoring, and Evaluation* part (b) Programmatic Reporting states: "the recipient must submit the Final Program Results Report no later than 90 days after the estimated completion date as established in Section 1.2 of the agreement."

Per the agreement, section 1.5 *Reporting, Monitoring, and Evaluation* part (b) Programmatic Reporting states, "the due date for the program performance reports is no later than 30 days after the end of each reporting period. Reporting periods are quarters (quarters are as follows: January 1- March 31; April 1 - June 30; July 1 - September 30; October 1 - December 31), beginning from the performance start date of this Agreement indicated in Section 1.2(a) above."

Pursuant to 2 CFR 200.327, *Financial Reporting*, "Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved governmentwide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting."

The *ACTED Global Finance Procedure Manual*, Section 5.5, "Reports," states: "the report needs to be sent to the Deputy Finance Director in charge of the area, cc Finance Director, for review, *within a reasonable timeframe* (24 hours before the submission at least). The Financial report needs to be sent along with the latest SAGA back up used for building it up. The final check will be carried out at HQ level between Finance and Reporting departments to ensure proper consistency between Narrative report and Financial report. Then, the financial report is formally approved, and is ready for submission."

(Continued)

Agency for Technical Cooperation and Development
Section I: Schedule of Findings and Questioned Costs
Agreement No. 720FDA18CA00001
For the Period December 1, 2017 to August 31, 2019

Effect: Failure to monitor reporting deadlines and prepare reports in a timely manner resulted in noncompliance with the Agreement. USAID may also have not been adequately informed of ACTED's financial and program performance without the submission of the reports on a timely basis.

Cause: ACTED did not provide the reports for timely internal review and completion prior to the report submission deadlines. In addition, ACTED did not establish adequate monitoring controls to ensure to ensure timely submission of reports.

Recommendation: We recommend that ACTED:

1. Develop and document a monitoring process to ensure there are timely submissions of reports under federally-funded programs; and
2. Provide training regarding both the monitoring process for timely submission of reports and expectations regarding the timely provision of reports to management for review and approval.

(Continued)

Agency for Technical Cooperation and Development
Section I: Schedule of Findings and Questioned Costs
Agreement No. 720FDA18CA00001
For the Period December 1, 2017 to August 31, 2019

Finding 2019-04: Lost Cell Phone No Longer Benefitting the Program

Deficiency and Noncompliance

Condition: During testing of four (4) out of thirty-one (31) supplies purchases, we noted two (2) cellular phones were indicated by ACTED as having been lost. Per review of the support provided by ACTED, the organization purchased ten (10) Samsung Galaxy cellular phones for \$2,107; which comes out to roughly \$211 per cell phone. Of the ten (10) cellular phones purchased, two (2) of the phones were reported as lost from the Out of Inventory Form on January 23, 2019 and February 10, 2019. Therefore, the two cellular phones reported as lost were no longer allocable to the award and should not have been charged to the United States Government, the result of which is \$421 of questioned costs.

Criteria: Per Agreement Section 1.7, *Title and Use of Property*, "The recipient agrees to use and maintain all Property for the purpose of this award. The recipient must use the Property for the program for which it was acquired during the period of this award, and must not provide any third party a legal or financial interest in the property (e.g., through a mortgage, lien, or lease) without approval of USAID."

Section 4.8 of the *ACTED Global Logistics Manual* states, "Ideally, on a quarterly basis, but at least every 6 months, a physical inventory of the assets must be done with a complete update of all files; organized by the Country Logistics Manager for all categories of assets in all country area offices. The resulting physical inventory report is then signed by the Area Logistics and Area Coordinator and filed within the area office and a soft version emailed to the capital office. Form AST-05 will be used for this exercise but the date and the names of the signatories must be appended as well as their signatures and changes recorded in the "remark" column."

Pursuant to 2 CFR Part 200.405(a), *Allocable Costs*, "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost: (1) Is incurred specifically for the Federal award; (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart."

Questioned costs: \$421 in questioned costs identified by the auditor during sample testing.

Effect: Failure to adequately monitor property items and their corresponding costs through the end of the program may result in questioned costs or a failure to identify items that are no longer benefiting the appropriate program activity.

Cause: While ACTED reported the phones as lost on its Out of Inventory form, ACTED did not implement an adequate policy or procedure to address how to report of lost property items to ensure that they are no longer allocated to the program and how to reimburse the government for their corresponding costs, if and as applicable.

Recommendation: We recommend that ACTED:

1. Document a procedure to include monitoring property items through the end of the award's period of performance to ensure costs associated with items that no longer benefit the program are identified and reimbursed to the Government, as appropriate; and
2. Either obtain approval to not reimburse the Government or reimburse USAID \$421.

**Agency for Technical Cooperation and Development
Cooperative Agreement Number 720FDA18CA00001
Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
For the Period December 1, 2017 to August 31, 2019**

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to the Agency for Technical Cooperation and Development's ("ACTED's") financial performance under this cooperative agreement. Based on Crowe's communications with ACTED, SIGAR, and USAID, two financial reports existed that could have direct and material risk to the Special Purpose Financial Statement or other financial information significant to the audit objectives. Crowe reviewed the two prior audit reports and noted that they did not contain findings and recommendations requiring follow-up.

APPENDIX A: VIEWS OF RESPONSIBLE OFFICIALS

On April 30, 2021, ACTED's management provided responses to the findings contained within the draft report. We have included, below and on the following pages, the verbatim responses from ACTED to each finding.

Finding 2019-01: Notification of Budget Deviations Not Made to USAID

During our review of the costs reported on ACTED's Special Purpose Financial Statement, we noted overages from the budgeted amounts in the Travel, Equipment, and USAID Branding/Marketing budgetary accounts. As required by the cooperative agreement, ACTED was expected to report deviations from the approved budget plan. Based upon our review of programmatic and financial reports provided by management, we noted ACTED did not report the budget deviations to USAID. We also inquired of ACTED to ascertain whether the deviations were reported through other means to USAID. No additional support was provided.

ACTED's Response:

ACTED disagrees with this finding as the notification of the actual costs that were deviated from the approved budget from ACTED to USAID is not required as per "article b) 3) *Prior approval not required for transferring Funds among Direct Cost categories by more than 10% of Total estimated amount*" of the grant agreement, as shown below:

(3) Prior Approval Not Required for Transferring Funds Among Direct Cost Categories by More Than 10% of Total Estimated Amount

Paragraph (b) (10) of the Standard Provision set forth in Attachment 3 of this Agreement entitled "Amendment of Award and Revision of Budget," enables USAID to restrict the transfer of funds among cost categories by requiring the prior approval of the Agreement Officer for budget shifts which exceed 10% of the total budget. However, such approval is not required under this Agreement. Approvals are only required for the budget revisions described in paragraph (b) (2) above.

Moreover, the USAID Senior Risk Management Advisor (Mr. Ali A. Riazi) stated in an email (annex 1) sent on February 17th that the clause on budget deviation notification "does not apply to ACTED because it is not a U.S. entity. The sections applying to the budget (pp. 5 and 76) hence do not include the reporting requirement".

Therefore, as the grant agreement has been respected, ACTED kindly requests the auditors to remove this finding from the audit report.

Finding 2019-02: ACTED Did Not Retain Supporting Documentation for Amounts Requested for Reimbursement on Standard Form 270

During the audit period, ACTED submitted ten (10) requests for reimbursement and advance payments to USAID using the Standard Form-270 Request for Advance ("SF 270"). Crowe selected three of the requests for testing of compliance with cash management requirements. During our testing, we did not identify instances in which excess cash was drawn down or otherwise retained such that no funds or requests are in question.

We noted that ACTED did not retain supporting documentation to identify the transactions included within each funding request, to document the estimates used to demonstrate amounts requested represent only immediate cash needs, or to determine that the indirect cost calculations were consistent with the provisions of the Negotiated Indirect Cost Rate Agreement (“NICRA”).

ACTED’s Response:

ACTED disagrees with this finding and would like to provide further information regarding the retention of Standard Form 270 Supporting Documentation.

Pre-financing requests are built on the basis of the expenses and forecasts present in the Budget Follow-up compared to the payments already obtained. ACTED does not keep such working/calculation documents because they include non-definitive expenses and forecasts. Moreover, ACTED would like to highlight the fact that it’s not contractually required to keep working documents.

As required by the signed Grant Agreement, ACTED keeps track of the funds received and spent on the project. Indeed, ACTED developed a tracking mechanism which enable to ensure that funds are traceable and auditable. ACTED financial information management system allows thorough traceability at all stages of the operation process: any expense entered in the system is linked to a general accounting code, an analytical code (project, grant contract code and budget line). In the same way, at ACTED HQ level, the analytical accounting computerized system (ARCOLE) allows to have a fair understanding mission per mission on how the funds have been utilized (by using an analytical axe to extract the necessary financial information) and check the allocation of expenditures.

As underline by the auditors in their report, there were no instance in which excess cash was drawn down or otherwise retained.

Therefore, ACTED wants to highlight that there is no risk that ACTED has made a higher cash request than it actually spent and kindly requests the auditors to remove this finding from the audit report.

Finding 2019-03: Late Submission of Financial and Program Reports

ACTED submitted some financial and performance reports late. During our testing of the financial and program reports, we reviewed four (4) quarterly financial reports, four (4) quarterly performance reports, the final program report, and the final federal financial report. The total population of reports included six quarterly financial reports, six quarterly performance reports, one final program report, and one final federal financial report. Per the submission support provided by ACTED, we noted two (2) of the quarterly performance reports, the final program report, and the final federal financial report were submitted after the due date.

ACTED’s Response:

ACTED agrees with this finding and will do everything in its capacity to ensure the timely submission of reporting requirements for ongoing and upcoming projects. ACTED has already created a tool called the Reporting Follow Up (RFU) so as to facilitate the follow up of deadlines and ensure that everybody, in the organizational chain, has at its disposal the same level of information for an easy organization. ACTED will ensure a close follow-up of reporting deadlines and reinforce the monitoring process for timely submission of reports.

Finding 2019-04: Lost Cell Phone No Longer Benefitting the Program

During testing of four (4) out of thirty-one (31) supplies purchases, we noted two (2) cellular phones were indicated by ACTED as having been lost. Per review of the support provided by ACTED, the organization purchased ten (10) Samsung Galaxy cellular phones for \$2,107; which comes out to roughly \$211 per cell phone. Of the ten (10) cellular phones purchased, two (2) of the phones were reported as lost from the Out of Inventory Form on January 23, 2019 and February 10, 2019. Therefore, the two cellular phones reported as lost were no longer allocable to the award and should not have been charged to the United States Government, the result of which is \$421 of questioned costs.

ACTED's Response:

ACTED agrees with this finding and will liaise this USAID regarding the reimbursement.

APPENDIX B: AUDITOR'S REBUTTAL

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management of Agency for Technical Cooperation and Development ("ACTED" or "the auditee") responses to the draft report audit findings provided to Crowe on April 30, 2021. In consideration of those views, Crowe has included the following rebuttal to certain matters presented by the auditee. Crowe incorporates a rebuttal in those instances where management disagrees with the facts presented within the condition, does not concur with Crowe's recommendation, or provides additional documentation for review. In those instances where management either agrees with the finding or does not disagree with the facts in the finding, as presented, no rebuttal is provided. Using this framework, Crowe has incorporated two rebuttals to management's comments, below.

Finding 2019-01: Notification of Budget Deviations Not Made to USAID

Management disagreed with the finding due to 1) the requirement for prior approval for budget revisions/transfers as noted in the agreement was not triggered; and 2) USAID's having indicated within an email from a USAID Senior Risk Management Advisor that the provisions of 2 CFR Part 200.308, *Revision of Budget and Program Plans*,³ was not incorporated into the agreement. Accordingly, ACTED did not believe reporting of deviations was required. We note, however, that Crowe's finding does not question or otherwise assert that a budget revision/transfer was improperly performed. As such, reference to the budget transfer prior approval requirement is not relevant to the finding.

ACTED's agreement incorporated a provision within Section 1.4 entitled "Reporting of Deviations from Budget Plan" and noted the budget plan included within the award was the official budget authorized by USAID. Therefore, while the specific deviation reporting requirements appearing in 2 CFR Part 200.308 were not incorporated within the agreement – and are not asserted in the finding – a requirement pertaining to reporting of deviations from budget remains within the official award document. ACTED is bound by the terms of the agreement, including the Standard Provisions of the agreement. The finding has not been modified.

Finding 2019-02: ACTED Did Not Retain Supporting Documentation for Amounts Requested for Reimbursement on Standard Form 270

Management disagreed with this finding. Per review of ACTED's response to the finding, ACTED states that they are not contractually obligated to keep working papers to support amounts requested for reimbursement on the Standard Form 270. Upon further review of the cooperative agreement, Attachment 3 specifically states: "the recipient must maintain financial records, supporting documents, statistical records and all other records, to support performance of, and charges to, this award. Such records must comply with accounting principles generally accepted in the U.S., the cooperating country, or by the International Accounting Standards Board (a subsidiary of the International Financial Reporting Standards Foundation). Accounting records and supporting documentation must, at a minimum, be adequate to show all costs incurred under this award; receipt and use of goods and services acquired under this award; the costs of the program supplied from other sources; and the overall progress of the program."

Based on the above, management's assertion is incorrect, and the finding remains unchanged.

³ Referred to within the referenced email from USAID as "the CFR requirement."

APPENDIX C: AWARD 720FDA18CA00001 INVENTORY

Contained herein is an excerpt from the award number 720FDA18CA00001 final physical inventory developed by ACTED and provided to Crowe for audit. Crowe takes no responsibility for the inventory's contents or its accuracy.

ID	DATE	PIECE	Account Description	Transaction Description	Amount
BKQUSD	15-Mar-18	15	REF:02DFD-7FR1-KABUL-25-02-2018	KL-OFF-ITQ-1803- 12LAPTOPS- 10 MOUSES	11,911.00
CKUUSD	28-Mar-18	77	TAX 02DFD-7FR1-KABUL-25-02-2018	KL-OFF-ITQ-1803- KQ1803-0015	243.00
CKIAFA	22-May-18	147	MAINT/REPAIR SMART PHONES KL OFFICE	KL-AME-MOB-1805- COVERS AND SCREEN PROTECTORS	53.42
CMBAFA	31-May-18	394	MAINT/REPAIR MF SMART PHONE	MF-OFF-MOB-1805	15.60
BKQUSD	02-Jul-18	2	REF:02DFD-7FR2-KABUL-14-06-2018	KL-PRO-MOB-1807- SAMSUNG GALAXY J7 MOBILES	2,107.00
CKUUSD	31-Jul-18	70	TAX 02DFD-7FR2-KABUL-14-06-2018	KL-OFF-MOB-1807- KQ1807-0002	43.00
CMBAFA	25-Jul-18	128	IT EQUIPMENT FOR MF OFFICE - ROUTER CHARGER	MF-OFF-ITQ-1807	4.79
CTDAFA	29-Jul-18	25	MAINT/REPAIR LOGISTIC COMPUTER	TN-LOG-ITQ1807	3.83
CTDAFA	29-Jul-18	30	FLASH FOR TN PROGRAM STAFF	TN-PRO-ITQ-1807	26.67
CMBAFA	30-Aug-18	490	IT EQUIPMENT FOR MF OFFICE - CHARGER	MF-OFF-ITQ-1808	24.81
CZJAFA	30-Aug-18	140	IT EQUIPMENT FD - MOUSE	FD-OFF-ITQ-1808	8.27
CZJAFA	30-Aug-18	143	IT EQUIPMENT FD - FLASH	FD-OFF-ITQ-1808	13.09
CKUUSD	04-Sep-18	9	MOBILE PHONES KL OFFICE	KL-AME-MOB-1808- SAMSUNG GALAXY J7 PRO	440.00
CZJAFA	30-Oct-18	47	IT EQUIPMENT FD OFFICE - USP CABLE	FD-OFF-ITQ-1810	2.12
CCRAAFA	19-Nov-18	30	COMPUTER EQUIPMENT - KEYBOARD	JZ-OFF-ITQ-1811	42.84
CCRAAFA	19-Nov-18	32	COMPUTER EQUIPMENT - FLASH DISK	JZ-OFF-ITQ-1811	13.18
CCRAAFA	28-Nov-18	44	COMPUTER EQUIPMENT - MOUSE	JZ-OFF-ITQ-1811	13.18
CMBAFA	11-Nov-18	42	MAINTREPAIR AMEU DPT SMART PHONE - BATTERY	MF-AME-MOB-1811	11.86
CMBAFA	29-Nov-18	435	COMPUTER EQUIPMENT MF - BATTERY	MF-OFF-ITQ-1811	48.78
CKUUSD	17-Jan-19	59	REF:02DFD-7FR1-KABUL-06-01-2018	KL-OFF-ITQ-1901- 2 PC LAPTOP COMPUTERS	1,656.00
CKUUSD	31-Jan-19	103	TAX 02DFD-7FR1-KABUL-06-01-2018	KL-OFF-ITQ-1901- KU1901-0059	33.00
CTDAFA	19-Feb-19	71	IT EQUIPMENT TN OFFICE	TN-OFF-ITQ-1902	106.60
CMBAFA	31-Mar-19	480	IT EQUIPMENT MF OFFICE - KEYBOARD	MF-OFF-ITQ-1903	24.15
BAIGAFA	25-Apr-19	137	TAX 02DFD-7FFRI-KABUL-03-03-2019	KL-OFF-ITQ-1904 USD NET AMOUNT PAID TO SUPPLIER	66.00
BKQUSD	16-Apr-19	16	REF:02DFD-7FFRI-KABUL-03-03-2019	KL-OFF-ITQ-1904-PROCUREMENT OF 6 LAPTOPS KABUL	3,234.00
CMBAFA	30-Apr-19	636	IT EQUIPMENT MF OFFICE - HDD	MF-OFF-ITQ-1903	158.45
CMBAFA	30-Apr-19	637	IT EQUIPMENT MF OFFICE - HDD	MF-OFF-ITQ-1903	47.80
BKQUSD	24-Jun-19	18	REF:02DFD-7FR1-KABUL-21-05-2019	KL-SEC-ITQ-1906- PROCUREMENT OF 2 LAPTOPS	980.00
CKUUSD	16-Jul-19	34	IT EQUIPMENT KABUL OFFICE	KL-OFF-ITQ-1906- HARD DRIVE	83.00
CMBAFA	22-Jul-19	148	MAINT/REPAIR MOBILE ABDUL JAMIL	MF-PRO-MOB-1907	47.15
BAIGAFA	01-Aug-19	1	TAX 02DFD-7FR1-KABUL-21-05-2019	KL-SEC-ITQ-1906-KQ1906-0018	20.47
					<u>21,483.06</u>

APPENDIX D: DIGGING WELL SITE VISITS

We have included, herein, photographs taken by Crowe during field visits in Afghanistan to observe completed well construction sites funded by the award.





Contained herein is picture support of the wells based on Crowe site visits related to the area of Balkh Province in Afghanistan.



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- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
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