

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

SIGAR 23-06 Financial Audit

## USAID's Survey of the Afghan People Program: Audit of Costs Incurred by The Asia Foundation



NOVEMBER  
2022

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On October 11, 2012, the U.S. Agency for International Development (USAID) Mission to Afghanistan awarded a 3-year, \$750,000 grant to The Asia Foundation (TAF) in support of the Survey of the Afghan People program. The purpose of the program was to support and develop local capacity for public opinion research, and drive substantive policy discourse about development issues in Afghanistan. USAID modified the grant 21 times, increasing the total award amount to \$7,694,206, and extending the period of performance to October 10, 2022.

SIGAR's financial audit, performed by Castro & Company LLC (Castro), reviewed \$1,837,095 in costs charged to the grant from October 1, 2019, through September 30, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in TAF's internal controls related to the award; (2) identify and report on instances of material noncompliance with the terms of the grant and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether TAF has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of TAF's Special Purpose Financial Statement (SPFS). See Castro'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 work performed. Accordingly, SIGAR oversaw the audit and reviewed Castro's audit report. Our review disclosed no instances wherein Castro did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

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November 2022

USAID's Survey of the Afghan People: Audit of Costs Incurred by The Asia Foundation

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SIGAR 23-06-FA

### WHAT SIGAR FOUND

Castro identified one deficiency in TAF's internal controls, which Castro also categorized as an instance of noncompliance with the grant. Specifically, TAF did not submit its annual work plan in accordance with the deliverable due date, which affected the government's ability to contribute timely and meaningfully to programmatic issues. Castro did not identify any questioned costs.

Castro identified eight prior audit reports that were relevant to TAF's grant. The reports had one finding that could have a material effect on the SPFS. Castro performed follow-up procedures and concluded TAF took adequate corrective action on the finding.

Castro issued an unmodified opinion on TAF's SPFS, noting it presents fairly, in all material respects, revenue earned and costs incurred for the period audited.

### WHAT SIGAR RECOMMENDS

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

1. Advise TAF to address the report's internal control finding.
2. Advise TAF to address the report's noncompliance finding.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

November 21, 2022

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

Mr. Sean Callahan  
Mission Director, U.S. Agency for International Development

We contracted with Castro & Company LLC (Castro) to audit the costs incurred by The Asia Foundation (TAF) under a U.S. Agency for International Development (USAID) Mission to Afghanistan grant in support of the Survey of the Afghan People program.<sup>1</sup> The purpose of the program was to support and develop local capacity for public opinion research, and drive substantive policy discourse about development issues in Afghanistan. Castro reviewed \$1,837,095 in costs charged to the grant from October 1, 2019, through September 30, 2021. Our contract with Castro required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Advise TAF to address the report's internal control finding.**
- 2. Advise TAF to address the report's noncompliance finding.**

Castro discusses the results of the audit in detail in the attached report. In connection with our contract, we reviewed Castro's report and related documentation. We also inquired about Castro's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on TAF's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Castro is responsible for the attached auditor's report, dated June 1, 2022, and the conclusions expressed therein. However, our review disclosed no instances where Castro 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 planned completion for the recommendations to [sigar.pentagon.audits.mbx.recommendation-followup@mail.mil](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil), within 60 days from the issue date of this report.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-223)

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<sup>1</sup> The grant number is AID-306-G-12-00003.



**The Asia Foundation  
Financial Audit of Costs Incurred  
For Grant No. AID-306-G-12-00003  
For the period of October 1, 2019 through September 30, 2021  
(With Independent Auditor's Report Theron)**

**July 14, 2022**

**The Asia Foundation**  
**Financial Audit of Costs Incurred**  
**Grant No. AID-306-G-12-00003**  
**For the Period of October 1, 2019 through September 30, 2021**

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# Transmittal Letter

July 12, 2022

To the Board of Directors and Management of The Asia Foundation  
465 California Street, 9<sup>th</sup> Floor  
San Francisco, CA 941104

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 (the Statement) applicable to The Asia Foundation's (TAF) Grant No. AID-306-G-12-00003 with the United States Agency for International Development (USAID), funding the Survey of the Afghanistan People Program (herein referred to as "SAP" or "program") for the period of October 1, 2019 through September 30, 2021.

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 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 TAF, 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 were 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 TAF's grant.

Sincerely,



Thomas Castro, CPA, Partner  
Castro & Company, LLC

**The Asia Foundation**  
**Financial Audit of Costs Incurred**  
**Grant No. AID-306-G-12-00003**  
**For the Period of October 1, 2019 through September 30, 2021**

## Summary

### Background

On October 11, 2012, the United States Agency for International Development (USAID) Mission to Afghanistan awarded a three-year, \$750,000 Grant (Grant No. AID-306-G-12-00003) to The Asia Foundation (TAF) for the Survey of the Afghanistan People (herein referred to as “SAP” or “program”). The purpose of the program was to support research, drive substantive policy discourse about development issues in Afghanistan and develop local capacity for survey research. The grant has been modified 21 times increasing the total estimated amount to \$7,694,206 and extending the grant’s period of performance end date to October 10, 2022.

### Work Performed

Castro & Company, LLC (Castro) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of TAF’s Special Purpose Financial Statement (the Statement) for costs incurred under Grant No. AID-306-G-12-00003 for the period of October 1, 2019 through September 30, 2021. Within the period under audit, TAF reported \$1,837,095 in total revenue as having been earned, and \$1,837,095 in reimbursable costs.

### Objectives Defined by SIGAR

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

#### *Audit Objective 1 – Internal Controls*

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

#### *Audit Objective 2 – Special Purpose Financial Statement*

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

#### *Audit Objective 3 – Compliance*

Perform tests to determine whether TAF complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

#### *Audit Objective 4 – Corrective Action on Prior Findings and Recommendations*

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**For the Period of October 1, 2019 through September 30, 2021**

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

## Scope

The scope of our work included performing a financial audit of costs incurred of TAF's Grant No. AID-306-G-12-00003 for the period of October 1, 2019 through September 30, 2021. The audit was limited to those matters and procedures pertinent to the grant that have a direct and material effect on the Statement. The audit also included an evaluation of the presentation, content, and underlying records of the Statement. Further, 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 SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Administrative oversight, controls, and fraud risk assessment;
- Budgetary Compliance;
- Methodology for allocation of Indirect Cost Rates;
- Disbursements (payroll and non-payroll);
- Procurement;
- Inventory Management;
- Reporting; and
- Compliance

Our audit was performed in accordance with United States Generally Accepted Government Auditing Standards (GAGAS or the "Yellow Book") issued by the Comptroller General of the U.S. Government Accountability Office (GAO) (2018 Revision).

## Methodology

In order to accomplish the objectives of this audit, we designed our audit procedures to include the following:

### Entrance Conference

An entrance conference was held via conference call on October 13, 2021. Participants included representatives from Castro, TAF, SIGAR, and USAID. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

### Planning

During our planning phase, we performed the following:



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1. Obtained an understanding of TAF;
2. Reviewed the grant and modifications;
3. Reviewed specific USAID regulations that are applicable to the grant;
4. Performed a financial reconciliation; and
5. Selected samples based on our sampling techniques as outlined in our approved Audit Plan.

Audit Objective 1 – Internal Controls

Castro obtained and reviewed TAF’s policies and procedures to gain an understanding of the system of internal control established by TAF during the period of performance. Additionally, Castro 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. Castro confirmed internal controls identified by TAF and performed testing over certain key controls to understand if they were implemented as designed.

Audit Objective 2 – Special Purpose Financial Statement

Transactions were selected from the general ledger detail supporting the Statement and were tested to determine if the transactions were recorded accurately and consistent with the award terms and conditions; were incurred within the period covered by the Statement; were appropriately allocated to the award; and were adequately supported.

Audit Objective 3 – Compliance

Castro reviewed the grant issued by USAID to identify criteria against which to test the Statement. Using a combination of random and judgmental sampling techniques, Castro selected transactions, vouchers for payment submitted to USAID, procurements, government property, and reports for testing. Supporting documentation was provided by TAF and evaluated to assess TAF’s compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the Negotiated Indirect Cost Rate Agreement issued by USAID.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Castro inquired of TAF, SIGAR, and USAID representatives regarding prior audits, reviews, or assessments that were pertinent to the audit scope. Castro also conducted an independent search of publicly available information to identify audit and review reports. As a result, we identified eight prior reports, six of which contained findings and recommendations. In each instance, Castro reviewed prior audit reports to ascertain whether findings may be direct and material to the audit objectives. In instances where findings were determined to be potentially material to the audit objectives, Castro reviewed the prior audit reports to determine whether corrective action from any of the prior findings and recommendations was denoted as unresolved, inadequate, or otherwise incomplete such that additional follow-up is necessary. We determined that one of the

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**For the Period of October 1, 2019 through September 30, 2021**

audit reports included one finding that could be direct and material to the SPFS or other financial objectives applicable to the audit. In this instance, Castro performed follow-up audit procedures to determine if the finding had subsequently been remediated. See **Schedule I: Summary Schedule of Prior Audit, Review, and Assessment of Findings** for result of our procedures.

Exit Conference

An exit conference was held on June 1, 2022 via a conference call. Participants included representatives from Castro, TAF, SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

**Summary of Results**

Upon completion of Castro's procedures, we issued an unmodified opinion on the Statement noting that it presents fairly, in all material respects, the revenues earned, costs incurred, and balance for the period audited. We also reported on TAF's internal control and compliance with award terms, laws, and regulations.

Castro reported on both TAF's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the award. One deficiency in internal control was identified. This finding was also classified as an instance of noncompliance. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding. See Independent Auditor's Report on Internal Control on page 12 and Independent Auditor's Report on Compliance on page 14.

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we performed tests of compliance with certain provisions of the award and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the Statement amounts. The results of our tests disclosed one instance of noncompliance related to this audit.

In response to the identified instance of noncompliance, Castro did not identify any questioned costs. SIGAR requires questioned costs to be classified as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by the audited 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.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Evidence of such items was not identified by our testing.

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Castro also requested copies of prior audits, reviews, and evaluations pertinent to TAF’s financial performance under this grant. Based on Castro’s communications with TAF, SIGAR, and USAID, Castro reviewed eight audit reports. Six of the reports contained a total of 24 findings and recommendations. We assessed the findings to ascertain whether these findings may be direct and material to the Statement or other significant financial data to the audit objectives. During our review of the audit findings, we noted one finding that could have a potential direct or material impact on the program. Castro conducted procedures to determine whether adequate corrective action had been taken on the prior finding. Accordingly, Castro concluded that TAF took adequate corrective action. See **Schedule II: Summary Schedule of Prior Audit, Review, and Assessment of Findings**.

This summary is intended to present an overview of the results of the procedures completed for the purpose described herein and is not intended to be a representation of the audit results in their entirety.

**Summary of Findings and Questioned Costs**

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2022-01	Annual Work-Plan Submitted Late	Internal Control – Deficiency and Noncompliance	\$ -
<b>Total Questioned Costs</b>			<b>\$ -</b>

**Summary of Management Comments**

The following represents a summary of the response provided by TAF to the finding identified in this report. The complete response received can be found in **Appendix A**.

- Finding 2022-01:** TAF agreed with the finding; however, they provided additional clarification to support the delayed submission. TAF noted that the workplan was submitted six days after the deadline due to competing priorities that required TAF’s engagement. TAF confirmed that moving forward they will review its processes with the Program Management Unit (PMU) to ensure continued attention and submission of required reporting deadlines.

No rebuttal is deemed necessary as TAF did not disagree with the finding and recommendation within this report.

## **Independent Auditor's Report on the Special Purpose Financial Statement**

To the Board of Directors and Management of The Asia Foundation  
465 California Street, 9<sup>th</sup> Floor  
San Francisco, CA 941104

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 Asia Foundation (TAF), and the related notes to the Statement, with respect to the Survey of the Afghanistan People Program (herein referred to as "SAP" or "program") funded by the United States Agency for International Development (USAID) Grant No. AID-306-G-12-00003 for the period of October 1, 2019 through September 30, 2021.

### ***Management's Responsibility for the 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 terms and conditions of Grant No. AID-306-G-12-00003. 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 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, 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.

### ***Opinion***

In our opinion, the Statement referred to above pertaining to Grant No. AID-306-G-12-00003 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, 3, 4 and 5.

### ***Basis of Presentation and Accounting***

We draw attention to Notes 1, 2, 3, 4 and 5 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in the format required by SIGAR and presents those amounts as permitted under the terms of USAID Grant No. AID-306-G-12-00003, 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 agreement referred to above. Our opinion is not modified with respect to this matter.

### ***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 1, 2022, on our consideration of TAF's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, awards, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TAF's internal control over financial reporting and compliance.

### ***Restriction on Use***

This report is intended for the information of TAF, 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.

*Castro & Company, LLC*

Alexandria, VA  
June 1, 2022

**The Asia Foundation**  
**Financial Audit of Costs Incurred**  
**Grant No. AID-306-G-12-00003**  
**For the Period of October 1, 2019 through September 30, 2021**

**Special Purpose Financial Statement<sup>1</sup>**

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>		<u>Total</u>	<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>		
<i>Revenues</i>						
Grant No. AID-306-G-12-00003	7,694,206	1,837,095	-	-	-	
Fixed Fee	-	-	-	-	-	
<b>Total Revenue</b>	<b>\$ 7,694,206</b>	<b>\$ 1,837,095</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,3</b>
<i>Costs Incurred</i>						
Personal	945,256	182,623	-	-	-	
Fringe Benefits	1,066,066	247,122	-	-	-	
Travel	176,096	14,601	-	-	-	
Equipment	-	-	-	-	-	
Supplies	25,468	3,862	-	-	-	
Contractual	2,810,498	728,718	-	-	-	
Construction	-	-	-	-	-	
Other	1,774,437	399,485	-	-	-	
<b>Total Direct Costs</b>	<b>\$ 6,797,821</b>	<b>\$ 1,576,411</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4</b>
Indirect Costs	896,385	260,684	-	-	-	
<b>Total Costs Incurred</b>	<b>\$ 7,694,206</b>	<b>\$ 1,837,095</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Outstanding Balance</b>	<b>\$ -</b>	<b>\$ -</b>				<b>5</b>

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<sup>1</sup> The accompanying notes to the Special Purpose Financial Statement are an integral part of this Statement.

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**Notes to the Special Purpose Financial Statement**

**Note 1. Accounting Policies**

**Basis of Preparation**

The accompanying Special Purpose Financial Statement (the Statement) includes costs incurred under Grant No. AID-306-G-12-00003 for the Survey of the Afghanistan People Program (herein referred to as “program”). The specific period covered by the Statement is October 1, 2019 through September 30, 2021. Because the Statement presents only a selected portion of the operations of TAF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of TAF. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is specific to the aforementioned Grant No. AID-306-G-12-00003. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Basis of Accounting**

Expenditures reported on the Statement are reported on a modified accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in Office of Management and Budget (OMB) Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited to the reimbursement.

**Conversion from Local Currency to U.S. Dollars**

For purposes of preparing the Schedule, conversions from local currency to U.S. dollars are not required. The Asia Foundation draws funds from USAID on a reimbursement basis and transfers funds from headquarters accounts wherein funds are maintained in U.S dollars to the financial institutions utilized by local offices. The local financial institutions convert funds to local currency for payment purposes.

**Note 2. Revenue Recognition**

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

**Note 3. Revenue Recognition**

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

**Note 4. Expenses Incurred and Liquidated**

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From October 1, 2019 through September 30, 2021, TAF incurred and liquidated a total amount of \$1,837,095 in expenditures.

**Note 5. Outstanding Balance**

The balance presented in 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 Grant 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 6. Currency**

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

**Note 7. Program Status**

The program remains active. The period of performance for the Grant is scheduled to conclude on October 10, 2022 as noted in Modification 21 dated April 11, 2022.

**Note 8. Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to the October 1, 2019 through September 30, 2021 period covered by the Statement. Management has performed their analysis through June 1, 2022 the date through which the Statement was available to be issued. TAF concluded that no subsequent events have occurred that would require recognition or disclosure in the Statement.



## **Independent Auditor’s Report on Internal Control**

To the Board of Directors and Management of The Asia Foundation  
465 California Street, 9<sup>th</sup> Floor  
San Francisco, CA 941104

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

We have audited, the Special Purpose Financial Statement (the Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by The Asia Foundation (TAF) under United States Agency for International Development Grant No. AID-306-G-12-00003, Survey of the Afghanistan People Program (herein referred to as “SAP” or “program”), for the period of October 1, 2019 through September 30, 2021. We have issued our report thereon dated June 1, 2022 with an unmodified opinion.

### ***Internal Control over Financial Reporting***

TAF’s management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management’s authorization and in accordance with the terms of the award; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Notes 1, 2, 3, 4 and 5 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 TAF’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 TAF’s internal control. Accordingly, we do not express an opinion on the effectiveness of TAF’s internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the TAF 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.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. We did identify one deficiency in internal control as described in the accompanying **Schedule of Findings and Questioned Costs**. Finding 2022-01 is considered to be a deficiency.

### ***TAF's Response to Findings***

TAF's response to the finding identified in our audit is included verbatim in **Appendix A** within this report. TAF'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 internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

### ***Restriction on Use***

This report is intended for the information of TAF, the USAID, 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.

*Castro & Company, LLC*

Alexandria, VA  
June 1, 2022

## **Independent Auditor's Report on Compliance**

To the Board of Directors and Management of The Asia Foundation  
465 California Street, 9<sup>th</sup> Floor  
San Francisco, CA 941104

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

We have audited, the Special Purpose Financial Statement (the Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by The Asia Foundation (TAF) under United States Agency for International Development (USAID) Grant No. AID-306-G-12-00003, Survey of the Afghanistan People Program (herein referred to as "SAP" or "program"), for the period of October 1, 2019 through September 30, 2021. We have issued our report thereon dated June 1, 2022 with an unmodified opinion.

### ***Management's Responsibility for Compliance***

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether TAF's Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the grant, noncompliance with which could have a direct and material effect on the determination of the 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying **Schedule of Findings and Questioned Costs** as Finding 2022-01.

### ***TAF's Response to Findings***

TAF's response to the finding identified in our audit is included verbatim in **Appendix A** within this report. TAF'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 TAF, the USAID, 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.

*Castro & Company, LLC*

Alexandria, VA

June 1, 2022

**The Asia Foundation**  
**Financial Audit of Costs Incurred**  
**Grant No. AID-306-G-12-00003**  
**For the Period of October 1, 2019 through September 30, 2021**

**Schedule I – Schedule of Findings and Questioned Costs**

**Finding 2022-01: Annual Work-Plan Submitted Late (Internal Control – Deficiency and Noncompliance)**

**Condition:** As part of our compliance testing, we reviewed two Annual Work-Plans. We noted the 2020 Annual Work-Plan was not submitted in a timely manner in accordance with the reporting deliverable due date as noted below:

Reporting Deliverable	Due Date	Date Submitted	Days Late
2020 Annual Work-Plan	3/2/2020	3/8/2020	6

**Criteria:**

Grant No. AID-306-G-12-00003, A.7(2)(a)(ii) *Annual Work-Plans*, states in part:

“Not later than 60 days prior to the beginning of each subsequent year, the Recipient shall submit one copy to the AOR of draft annual work-plans for each subsequent year. The work-plans shall include the activities planned to be conducted, the site(s) where they will be conducted, and benchmarks/milestones; the outputs/outcomes which the Recipient expects to achieve; and the inputs planned to be provided by the Recipient, during the work-plan period. Included shall be an explanation of how those inputs are expected to achieve the outputs/outcomes and benchmarks/milestones. The work-plans will also include the Recipient's planned international travel, as described in the applicable Standard Provision, "International Air Travel and Transportation."

**Cause:** TAF does not have procedures and controls in place to ensure Annual Work-Plan deliverables are submitted to USAID by dates specified in the grant.

**Effect:** Untimely submission of reports impacts the government’s ability to contribute timely and meaningfully to upcoming plans, and programmatic issues.

**Questioned Costs:** None. This finding relates to the late submission of the Annual Work-Plan to USAID and not costs incurred under the award. We did not identify any costs that would be deemed unallowable during our procedures.

**Recommendation:** We recommend TAF:

1. Implement procedures and corresponding controls to monitor the submission of deliverables and internal reviews to ensure compliance with reporting deliverables and deadlines.

**The Asia Foundation**  
**Financial Audit of Costs Incurred**  
**Grant No. AID-306-G-12-00003**  
**For the Period of October 1, 2019 through September 30, 2021**

**Schedule II – Summary Schedule of Prior Audit, Review, and Assessment of Findings**

Castro requested copies of prior audits, reviews, and evaluations pertinent to The Asia Foundation (TAF) activities under the grant. Castro reviewed a total of eight prior audit reports, six of which contained 24 findings and recommendations as noted below.

1. SIGAR Audit No. 13-5 USAID’s Program to Support the Loya Jirga and Election Process in Afghanistan: Audit of Costs Incurred by The Asia Foundation
2. SIGAR Audit No. 19-38 USAID’s Strengthening Education in Afghanistan II Project: Audit of Costs Incurred by The Asia Foundation
3. SIGAR Audit No. 20-20 USAID’s Ministry of Women’s Affairs Organizational Restructuring and Empowerment Project: Audit of Costs Incurred by the Asia Foundation
4. SIGAR Audit No. 21-45 USAID’s Strengthening Education in Afghanistan II Project: Audit of Costs Incurred by The Asia Foundation
5. USAID Audit Report No. F-306-17-021-N Audit of Costs Incurred by The Asia Foundation (TAF) under (1) International Election Observation (IEO), Cooperative Agreement No. AID-306-A-14-00012, for the Period from August 4, 2014, to January 5, 2015 (Closeout); (2) Strengthening Education in Afghanistan (SEA II), Cooperative Agreement No. AID-306-A-00008, for the Period from May 19, 2014, to September 30, 2015; (3) Survey of the Afghanistan People Program (SAP), Grant No. AID-306-G-12-00003, for the Period from October 11, 2012, to September 30, 2015; and (4) Ministry of Women Affairs Organizational Restructuring and Empowerment (MORE), Cooperative Agreement No. AID-306-A-13-00001, for the period from July 1, 2014, to December 19, 2015
6. USAID Financial Audit of Costs Incurred for Afghanistan Including a Review of Compliance with Vetting Procedures by The Asia Foundation under the Survey of the Afghanistan People Activity, Grant Number AID-306-G-12-00003 for the period of October 1, 2015 through April 30, 2018
7. USAID Financial Audit of costs incurred of the USAID resources managed by The Asia Foundation (TAF) under USAID’s AUAF-Financial and Business Management Activity (AUAF-FBMA) program, Contract No. AID-306-C-17-00014 for the period July 5, 2017 to September 30, 2018 and Survey of the Afghanistan People (SAP) program, Grant No. AID-306-G-12-00003 for the period April 1, 2018 to September 30, 2018 and Strengthening Education in Afghanistan II (SEA II) program, Cooperative Agreement No. AID-306-A-14-00008 for the period October 1, 2017 to September 30, 2018
8. USAID Financial audit of costs incurred of the USAID resources managed by The Asia Foundation (TAF) under USAID’s AUAF-Financial and Business Management Activity (AUAF-FBMA) program, Contract No. AID-306-C-17-00014 for the period October 1, 2018 to March 31, 2020 and Survey of the Afghanistan People (SAP) program, Grant No. AID-306-G-12-00003 for the period October 1, 2018 to September 30, 2019 and Strengthening Education in Afghanistan II (SEA II) program, Cooperative Agreement No. AID-306-A-14-00008 for the period October 1, 2018 to September 30, 2019

**The Asia Foundation**  
**Financial Audit of Costs Incurred**  
**Grant No. AID-306-G-12-00003**  
**For the Period of October 1, 2019 through September 30, 2021**

We assessed the findings and determined that one of the findings could have a potential direct or material impact on the Statement and other significant financial data significant to the audit objectives. We reviewed TAF corrective action and concluded that the one finding was addressed adequately. The report containing the finding is listed below:

1. USAID Audit Report No. F-306-17-021-N Audit of Costs Incurred by The Asia Foundation (TAF) under (1) International Election Observation (IEO), Cooperative Agreement No. AID-306-A-14-00012, for the Period from August 4, 2014, to January 5, 2015 (Closeout); (2) Strengthening Education in Afghanistan (SEA II), Cooperative Agreement No. AID-306-A-00008, for the Period from May 19, 2014, to September 30, 2015; (3) Survey of the Afghanistan People Program (SAP), Grant No. AID-306-G-12-00003, for the Period from October 11, 2012, to September 30, 2015; and (4) Ministry of Women Affairs Organizational Restructuring and Empowerment (MORE), Cooperative Agreement No. AID-306-A-13-00001, for the period from July 1, 2014, to December 19, 2015

We have summarized the results of our procedures below:

**Finding 1:** TAF was unable to provide supporting documentation to evidence procurement competition or sole source selection justification was prepared at the time of procurement to substantiate the costs as per requirements under the OMB A-122, and TAF Procurement Policy. This resulted in total questioned costs of \$153,346.66.

**Recommendation:** The auditor recommended that TAF maintain adequate supporting documentation for all costs billed under the federal awards and make the requested supporting documentation available for review by the auditor. The auditor also recommended that TAF refund to USAID the costs disallowed by USAID Agreement Officer.

**Status:** TAF received the final determination letter on April 4, 2019 from USAID for a revised disallowed cost of \$43,568.64. Castro reviewed the documentation and concluded that TAF paid the USAID Bill for Collections amount on April 16, 2019. Additionally, Castro performed procedures over consultant costs incurred, including controls to ensure that procurement procedures are complied with and proper documentation was maintained. Based on our testing for this engagement, this issue was not a repeat condition and the recommendation was addressed during the period of October 1, 2019 through September 30, 2021.



**The Asia Foundation**  
**Financial Audit of Costs Incurred**  
**Grant No. AID-306-G-12-00003**  
**For the Period of October 1, 2019 through September 30, 2021**

**Appendix A – Views of Responsible Officials**



**The Asia Foundation**

Mr. Thomas Castro, CPA, Partner  
Castro & Company, LLC

Re: TAF response to SIGAR Audit F-223.

**Schedule I – Schedule of Findings and Questioned Costs**

**Finding 2022-01: Annual Work-Plan Submitted Late (Internal Control – Deficiency and Noncompliance)**

**Condition:** As part of our compliance testing, we reviewed two Annual Work-Plans. We noted the 2020 Annual Work-Plan was not submitted in a timely manner in accordance with the reporting deliverable due date as noted below:

Reporting Deliverable	Due Date	Date Submitted	Days Late
2020 Annual Work-Plan	3/2/2020	3/8/2020	6

**Criteria:**

Grant No. AID-306-G-12-00003, A.7(2)(a)(ii) *Annual Work-Plans*, states in part:

“Not later than 60 days prior to the beginning of each subsequent year, the Recipient shall submit one copy to the AOR of draft annual work-plans for each subsequent year. The work-plans shall include the activities planned to be conducted, the site(s) where they will be conducted, and benchmarks/milestones; the outputs/outcomes which the Recipient expects to achieve; and the inputs planned to be provided by the Recipient, during the work-plan period. Included shall be an explanation of how those inputs are expected to achieve the outputs/outcomes and benchmarks/milestones. The work-plans will also include the Recipient's planned international travel, as described in the applicable Standard Provision, "International Air Travel and Transportation."

**Cause:** TAF does not have procedures and controls in place to ensure Annual Work-Plan deliverables are submitted to USAID by dates specified in the grant.

**Effect:** Untimely submission of reports impacts the government's ability to contribute timely and meaningfully to upcoming plans, and programmatic issues.

**Questioned Costs:** None. This finding relates to the late submission of the Annual Work-Plan to USAID and not costs incurred under the award. We did not identify any costs that would be deemed unallowable during our procedures.



**The Asia Foundation**  
**Financial Audit of Costs Incurred**  
**Grant No. AID-306-G-12-00003**  
**For the Period of October 1, 2019 through September 30, 2021**

**Recommendation:** We recommend TAF:

1. Implement procedures and corresponding controls to monitor the submission of deliverables and internal reviews to ensure compliance with reporting deliverables and deadlines.

**TAF response** – We partially agree to the finding with few clarifications resulting to the delayed submission.

Due to competing priorities with USAID, the workplan was submitted 6 days after the deadline. The following outline some of the competing priorities that required TAF’s engagement.:

- USAID requested an additional proposal on peace survey, this was submitted to USAID sent on March 1, 2020 (kindly refer to “FW – Technical and Cost Application for Additional Activities – SAP.eml” , this also includes copy of technical proposal with timelines);
- The Program Director (Tabasum) and Finance Director (Minhaj) had a meeting hosting by USAID regarding the budget and other concerns on March 5, 2020, workplan submission was delayed until after TAF received clarity from this meeting (kindly refer to “Re-Escort Today.eml”)
- At the same time, we were in discussions with USAID, and all donors to pivot due to the urgency of the Covid-19 pandemic (donor coordination call scheduled for March 17, 2020, on March 8, 2020). Given the emergency nature of the Covid-19 pandemic, the workplans were impacted (kindly refer to “Re-Proposed date for SAP 2020 Donor coordination meeting.eml).

In addition to above, TAF Afghanistan has a separate unit, Program Management Unit (PMU), which is responsible for monitoring, reviewing, and submitting of all requisite requirements to ensure these deadlines are meet. They are continuing to monitor periodic reporting, annual submissions, and key deadlines as required by the USAID agreements. Kindly refer to attached “Quarterly Reports.off” This provides an example of our internal control and r efforts on managing the project and meeting deadlines.

TAF will review its processes with our Program Management Unit (PMU) to ensure continued attention and maintain our adequate controls over reporting deadlines continues to meet the required submission deadlines.



Ken Krug, Vice President Finance and Chief Financial Officer

## 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](http://www.sigar.mil)). SIGAR posts all publicly released reports, testimonies, and correspondence on its Web site.

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

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- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## SIGAR's Mission

Public Affairs Officer

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