

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 23-34 Financial Audit

USAID's Provision of Community-Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster-Affected Communities in Afghanistan Program: Audit of Costs Incurred by [REDACTED]

In accordance with legal requirements, SIGAR has redacted certain information deemed proprietary or otherwise sensitive from this report.



OCTOBER
2023

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

██████████, the U.S. Agency for International Development (USAID) awarded a \$5,000,000 grant to ██████████ in support of its Provision of Community-Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster-Affected Communities in Afghanistan program. The program's goal was to strengthen ██████████ ██████████ ██████████ ██████████ ██████████ Afghanistan. The initial period of performance was from ██████████, through ██████████. USAID modified the grant twice; the modifications extended the period of performance to ██████████, but did not change the total award amount.

SIGAR's financial audit, performed by Conrad LLP (Conrad) reviewed \$4,999,256 in costs charged to the grant from September 1, 2020, through May 28, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in ██████████ internal controls related to the grant; (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 ██████████ has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of ██████████ Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

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

October 2023

USAID's Provision of Community-Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster-Affected Communities in Afghanistan Program: Audit of Costs Incurred by ██████████

SIGAR 23-34-FA

WHAT SIGAR FOUND

Conrad identified five significant deficiencies in ██████████ internal controls and five instances of noncompliance with the terms of the award. For example, Conrad found that ██████████ double-charged USAID for accruals related to employee assistance—payments made to employees at the time of their termination. In another example, Conrad tested 59 procurement transactions and identified 4 instances in which ██████████ did not use required procurement procedures. In a final example, Conrad found that ██████████ used program funds to install solar panels on an ██████████ employee's personal residence, which is unallowable under federal guidelines. SIGAR notified ██████████ of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$163,039 in total questioned costs, consisting of \$156,477 in ineligible costs—costs prohibited by the award and applicable laws and regulations, and \$6,562 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Fringe Benefits	\$123,599	\$0	\$123,599
Equipment	\$635	\$0	\$635
Program Supplies	\$0	\$716	\$716
Other Direct Costs	\$2,469	\$4,598	\$7,067
Indirect Costs	\$29,774	\$1,248	\$31,022
Total Costs	\$156,477	\$6,562	\$163,039

Conrad identified two prior audit reports that were relevant to ██████████ award. The reports contained five findings that could have had a material effect on the SPFS. Conrad conducted follow-up procedures and concluded that ██████████ took adequate corrective action on all five findings.

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

WHAT SIGAR RECOMMENDS

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

1. Determine the allowability of and recover, as appropriate, \$163,039 in questioned costs identified in the report.
2. Advise ██████████ to address the report's five internal control findings.
3. Advise ██████████ to address the report's five noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

October 10, 2023

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

Ms. Sarah Charles
Assistant to the Administrator of USAID's
Bureau for Humanitarian Assistance

Mr. Joel Sandefur
Mission Director, U.S. Agency for International Development

We contracted with Conrad LLP (Conrad) to audit the costs incurred by [REDACTED] ([REDACTED]) under a grant from the U.S. Agency for International Development (USAID) in support of its Provision of Community-Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster-Affected Communities in Afghanistan program.¹ The program's goal was to [REDACTED]

[REDACTED] of Afghanistan. Conrad reviewed \$4,999,256 in costs charged to the grant from September 1, 2020, through May 28, 2022. Our contract with Conrad required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

1. Determine the allowability of and recover, as appropriate, \$163,039 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's five internal control findings.
3. Advise [REDACTED] to address the report's five noncompliance findings.

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. We also inquired about Conrad'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 [REDACTED] Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated September 27, 2023, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

¹ The grant number is [REDACTED]. It was funded by USAID's Office of U.S. Foreign Disaster Assistance, which has since been incorporated into USAID's Bureau for Humanitarian Assistance.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-254)



Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Awarded by the United States Agency for International Development's Democracy,
Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster
Assistance, for the Provision of Community Based Gender-Based Violence and
Psychosocial Support Services for Crisis and Disaster Affected Communities in
Afghanistan

For the Period of September 1, 2020 through May 28, 2022

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September 27, 2023

Board of Directors
[REDACTED]

Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, VA 22202

Conrad LLP (referred to as "Conrad" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of [REDACTED] Special Purpose Financial Statement under Grant Agreement No. [REDACTED] awarded by the United States Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of United States Foreign Disaster Assistance, in support of the Provision of Community Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster Affected Communities in Afghanistan Program, for the period September 1, 2020 through May 28, 2022.

On July 21, 2023, we provided the Special Inspector General for Afghanistan Reconstruction with a draft report reflecting our audit procedures and results. [REDACTED] received a copy of the report on August 23, 2023 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by Special Inspector General of Afghanistan Reconstruction and [REDACTED] Responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

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

Sincerely,

A handwritten signature in blue ink that reads "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA
Partner



Financial Audit of the Special Purpose Financial Statement for
 Grant Agreement No. [REDACTED]
 Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
 for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Background

[REDACTED], the United States Agency for International Development (USAID) Office of U.S. Foreign Disaster Assistance (OFDA), awarded Grant Agreement No. [REDACTED] (Grant Agreement) to [REDACTED] in support of the Provision of Community-Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster Affected Communities in Afghanistan (the Program). In 2020 after the award date, the Bureau for Humanitarian Assistance was established to streamline USAID’s humanitarian responses, bringing together the vast expertise and resources of the former USAID Offices of Foreign Disaster Assistance and Food for Peace.

The purpose of the Program [REDACTED]
 [REDACTED] of Afghanistan. [REDACTED] provided services through [REDACTED]
 These teams worked within [REDACTED]
 [REDACTED]

The initial award amount was \$5,000,000, for the period of performance from [REDACTED] through [REDACTED]. There have been two modifications to the Grant Agreement, which did not have an impact on the total award amount but extended the period of performance to [REDACTED]. See the *Summary of Grant Agreement* below.

Summary of Grant Agreement

Grant Agreement Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
[REDACTED]	\$5,000,000	[REDACTED]	[REDACTED]	2	No change	[REDACTED]

* Indicates the award is close-out.

[REDACTED] is an international humanitarian non-profit organization dedicated to improving the quality of life through [REDACTED] by [REDACTED] is a non-governmental non-profit with more than [REDACTED] staff members around the world, [REDACTED]

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Work Performed

Conrad LLP (Conrad) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial closeout audit of the Grant Agreement, as mentioned above, of [REDACTED] Special Purpose Financial Statement for revenue received and costs incurred under the Program totaling \$4,999,256 for the period September 1, 2020 through May 28, 2022.

Objectives, Scope, and Methodology

Audit Objectives

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

- *Special Purpose Financial Statement (SPFS)* – Express an opinion on whether [REDACTED] SPFS for the Grant Agreement presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the United States Government, and the balance for the period audited in conformity with the terms of the Grant Agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of [REDACTED] internal controls related to the Grant Agreement, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether [REDACTED] complied, in all material respects, with the Grant Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Grant Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether [REDACTED] has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Scope

The scope of this close-out audit included all costs incurred during the period of September 1, 2020 through May 28, 2022. Within the period under audit the total revenues received amount is \$5,000,000 and total costs incurred amount is \$4,999,256, with a fund balance of \$744. Our testing of the indirect cost charged to the Grant Agreement was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (NICRA) and subsequent applicable amendments.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Audit Methodology

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

Entrance Conference

An entrance conference was held on January 30, 2023, with representatives of [REDACTED] Conrad, SIGAR, and USAID participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of the audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of [REDACTED]. The scope of our audit includes [REDACTED] management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of [REDACTED] through interviews, observations, and reading policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
 - Grant Agreement and modifications;
 - Any regulations that are specific to the agreement's requirements, such as 2 CFR 200 Subpart E Cost Principles, 2 CFR 700 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, USAID Automated Directives System (ADS) Chapter 303, Grants and Cooperative Agreements to Non-Government Organizations;
 - Audited financial statements;
 - Previous SIGAR and USAID financial audit reports;
 - Close-out requirements and evidence supporting close-out procedures performed.
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs are properly recorded.

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Grant Agreement, and the applicable general ledgers;

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Grant Agreement;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved provisional and final negotiated indirect cost rates to ensure that they were accurately applied.

Internal Controls Related to the Grant Agreement

We reviewed [REDACTED] internal controls related to the Grant Agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of [REDACTED] financial reporting function and compliance with applicable laws and regulations. This review was accomplished through interviews with management and key personnel, reviewing policies and procedures, and identifying key controls within significant transaction cycles and testing those key controls.

Compliance with the Grant Agreement Requirements and Applicable Laws and Regulations

We performed tests to determine whether [REDACTED] complied, in all material respects, with the Grant Agreement requirements, 2 CFR 200, 2 CFR 700, ADS, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Grant Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from [REDACTED] and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on [REDACTED] SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on [REDACTED] SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 33.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Exit Conference

An exit conference was held on July 7, 2023 via conference call. Participants included representatives from Conrad, [REDACTED] SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

We have summarized the details of these results in the Findings and Questioned Costs subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS.

We identified \$163,039 in total questioned costs, which comprised \$156,477 in ineligible costs and \$6,562 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Grant Agreement's provisions or applicable laws and regulations, or not related to the Grant Agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on [REDACTED] SPFS. In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

Internal Controls



Our audit identified five internal control findings, which are considered to be significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 17.

Compliance

The results of our testing identified five instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 19.


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*. [REDACTED] self-disclosed nine instances of alleged fraud that could have a potential impact on the Program and the SPFS. Based on further discussions with [REDACTED] and review of the alleged incidences of fraud, internal investigations into these allegations were conducted by [REDACTED] and the

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 Financial Audit of the Special Purpose Financial Statement for
 Grant Agreement No. 
 Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
 for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

results found that there was no monetary or material effect to the Program or the SPFS during the period under review. As such, there are no further communications warranting additional consideration.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2023-01	Non-compliance and Internal Control –Significant Deficiency	Employee Assistance accrued and charged to the Program	\$ 152,644	\$ -	\$ 152,644
2023-02	Non-compliance and Internal Control –Significant Deficiency	Insufficient documentation to show adherence to  procurement policies and procedures	-	5,678	158,322
2023-03	Non-compliance and Internal Control –Significant Deficiency	Costs not related to the Program were erroneously charged to the Program	3,049	-	161,371
2023-04	Non-compliance and Internal Control –Significant Deficiency	Insufficient documentation to show mobile top up cards purchased were received by the intended end user	-	884	162,255
2023-05	Non-compliance and Internal Control –Significant Deficiency	Solar panels were installed on an employee's personal home	784	-	163,039
Total Questioned Costs			\$ 156,477	\$ 6,562	\$ 163,039

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from [REDACTED] SIGAR and USAID pertinent to [REDACTED] activities under the agreement. We identified two (2) prior audit reports: Financial and Close-out Audit of Costs Incurred in Afghanistan of the USAID Resources Managed by [REDACTED] under Cooperative Agreement No. [REDACTED] and SIGAR Financial Audit 22-17 that contained five (5) findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. We concluded that [REDACTED] had taken adequate corrective actions on all five of the findings and recommendations. See *Status of Prior Audit Findings* on page 33 for a detailed description of the prior findings and recommendations.

Summary of [REDACTED] Responses to Findings

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

- (1) **Finding 2023-01:** [REDACTED] disagreed with this finding and noted that there is no double billing or over billing of employee assistance allowances for Afghanistan local staff.
- (2) **Finding 2023-02:** [REDACTED] disagreed with this finding and noted that the procurement methodology for the procurements in question is valid and in line with [REDACTED] policies and procedures.
- (3) **Finding 2023-03:** [REDACTED] agreed with this finding and indicated that the ineligible cost of \$3,049 had been returned to USAID in August 2023.
- (4) **Finding 2023-04:** [REDACTED] disagreed with this finding and noted that the assigned supervisor confirmed through mobile phone that the field staff members received the mobile top-up cards.
- (5) **Finding 2023-05:** [REDACTED] disagreed with this finding as the solar panels were purchased and used exclusively for the project under audit and did not personally benefit the employee.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
[REDACTED]

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 accompanying Special Purpose Financial Statement of [REDACTED] and the related notes to the Special Purpose Financial Statement, with respect to the Grant Agreement No. [REDACTED] (Agreement) awarded by the United States Agency for International Development (USAID) to support the Provision of Community Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster Affected Communities in Afghanistan program, for the period September 1, 2020 through May 28, 2022.

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred, and balances for the indicated period of September 1, 2020 through May 28, 2022, in accordance with the terms of the Agreement and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of [REDACTED] and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Presentation and Accounting

We draw attention to Notes 1 and 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Special Purpose Financial Statement, the statement is prepared by [REDACTED] on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

(Continued)

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Responsibilities of Management for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the requirements provided by the Office of the Special Inspector General of Afghanistan Reconstruction. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial Statement that it is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 27, 2023 on our consideration of [REDACTED] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Grant Agreement, and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not

(Continued)



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 [REDACTED] internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of [REDACTED] the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to the United States Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.






Conrad LLP

Lake Forest, California
September 27, 2023


 Financial Audit of the Special Purpose Financial Statement for
 Grant Agreement No. 
 Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
 for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
Grant Agreement No. 	\$5,000,000	\$5,000,000	\$ -	\$ -	\$ -	(4)
Total revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Salary and Wages	2,491,608	2,522,883	-	-	-	
Fringe Benefits			123,599	-	123,599	(A)
Travel and Transportation	266,829	271,656	-	-	-	
Equipment	22,238	29,106	635	-	635	(B)
Program Supplies	176,056	154,693	-	716	716	(C)
Sub-Agreements/Contractual	10,000	8,477	-	-	-	
Other Direct Costs	487,586	484,094	2,469	4,598	7,067	(D)
Indirect Costs			<u>29,774</u>	<u>1,248</u>	<u>31,022</u>	(E)
Total costs incurred	<u>\$5,000,000</u>	<u>\$4,999,256</u>	<u>\$ 156,477</u>	<u>\$ 6,562</u>	<u>\$ 163,039</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ 744</u>				

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

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Notes to Special Purpose Financial Statement¹

(1) Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under the Provision of Community-Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster Affected Communities in Afghanistan Grant Agreement No. [REDACTED] Program for the period September 1, 2020 to May 28, 2022. Because the Statement presents only a selected portion of the operations of [REDACTED] it is not intended to and does not present the financial position, changes in the net assets, or cash flows of [REDACTED]. The information in this Statement is presented in accordance with the requirements specified by SIGAR and is specific to the aforementioned Federal Grant Agreement. Therefore, some amounts presented in this Statement may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

(2) Basis of Accounting

For preparing year-end and end of grant financial statements, [REDACTED] observes the accrual method of accounting. Accrual method is the accounting method that records revenues when earned and expenses when they are incurred, regardless of when cash is exchanged. The term "accrual" refers to any individual entry recording revenue or expense in the absence of a cash transaction.

(3) Foreign Currency Conversion Method

Unless donor regulations specify otherwise, all conversions of local currency to the United States Dollar (USD) are tracked using the weighted average method. That is, all disbursements made in local currency are translated back to USD at various dates and amounts, using the weighted average exchange rate during the month. The basic theory that is being applied in using the weighted average exchange rate is to use a rate that brings the actual value at the end of the month. The aim is to minimize any loss or gain on exchange.

(4) Revenues

Grant or contract funds received for which no corresponding expenditure has yet been made are accounted for as refundable advances. Expenditures made in advance of funds are received and recorded as grants receivable.

In accordance with ASU 2018-08, Not-for-profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, grants and contracts awarded by federal or other sponsors, which are generally considered nonreciprocal transitions restricted by sponsors for certain purposes, are recognized as revenue when qualifying

¹ The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]



Financial Audit of the Special Purpose Financial Statement for
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Notes to Special Purpose Financial Statement¹

expenditures are incurred and conditions under the agreement are met. Contributions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Conditional promises given are not recognized until they become unconditional, that is, when the barriers on which they depend are met.

(5) Costs Incurred by Budget Category

Costs Billed

Salaries and wages	\$ 2,522,883
Travel and transportation	271,656
Equipment	29,106
Program supplies	154,693
Contractual	8,477
Other direct costs	484,094
Total Costs Billed	<u>\$ 4,999,256</u>

(*) Indirect costs are reported based on the provisional NICRA at

(6) Compensation Fringe Benefits

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. The fringe benefits are based on applicable law and established organizational policy.

(7) Outstanding Balance

The Outstanding Fund Balance presented on the Statement represents the difference between revenue earned and costs incurred such that an amount greater than \$0 would reflect that on a cash basis, revenues have been earned that exceeded costs incurred or charged to this grant agreement and an amount less than \$0 would indicate that cost have been incurred but have not been paid so on a cash basis not recognized as revenue. has

¹ The Notes to the Special Purpose Financial Statement are the responsibility of

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
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Notes to Special Purpose Financial Statement¹

refunded to USAID the outstanding balance of \$744 on August 29, 2022. Undrawn award funding issued would no longer be available for Program expenditures, obligations, or payment requests in the Payment Management System.

(8) Cost Share

Recipient share of expenditures is not applicable for this award.

(9) Activity Status

The [REDACTED] program ended on [REDACTED]. It remains open until the final NICRA document for fiscal years applicable for the subjected award is received and reported to USAID accordingly.

(10) Indirect Cost

[REDACTED] has an approved NICRA which establishes the following indirect cost rates:

Type	EFFECTIVE PERIOD		INDIRECT COST RATES
	From	Through	Overhead
Final	7/1/2019	6/30/2020	[REDACTED]
Provisional	7/1/2020	Until Amended	[REDACTED]

(11) Subsequent Events

[REDACTED] has performed an analysis of the activities and transactions subsequent to the September 1, 2020 through May 28, 2022 period covered by the Statement. Management has performed their analysis through September 27, 2023.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services for
Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Fringe Benefits

[REDACTED] reported a total of [REDACTED] for Fringe Benefits for the period of September 1, 2020 through May 28, 2022.

During our audit of these costs, we noted that [REDACTED] incurred costs to the program through accrual entries for the employee assistance allowance without paying the employee, resulting in ineligible costs of \$123,599. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.

(B) Equipment

[REDACTED] reported a total of \$29,106 for Equipment for the period of September 1, 2020 through May 28, 2022.

During our audit of these costs, we noted that [REDACTED] installed solar panels on an employee's personal home, in addition, no communication or approval was requested from USAID for this cost, resulting in ineligible costs of \$635. See **Finding No. 2023-05** in the *Schedule of Findings and Questioned Costs* section of this report.

(C) Program Supplies

[REDACTED] reported a total of \$154,693 for Program Supplies for the period of September 1, 2020 through May 28, 2022.

During our audit of these costs, we noted that costs incurred lacked sufficient documentation to show that the supplies purchased were received by the intended end user, resulting in unsupported costs of \$716. See **Finding No. 2023-04** in the *Schedule of Findings and Questioned Costs* section of this report.

(D) Other Direct Costs

[REDACTED] reported a total of \$484,094 for Other Direct Costs for the period of September 1, 2020 through May 28, 2022.

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

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

(Continued)



Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services for
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Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

- [REDACTED] charged costs relating to a third-party due diligence review of two vendors that did not provide any supplies or services on the Program, resulting in ineligible costs of \$2,469. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- Costs incurred lacked sufficient documentation to show [REDACTED] followed their procurement policies and procedures for purchasing thresholds and competitive bidding, resulting in unsupported costs of \$4,598. See **Finding No. 2023-02** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Other Direct Costs of \$7,067, consisting of \$2,469 in ineligible costs and \$4,598 in unsupported costs.

(E) Indirect Costs

[REDACTED] reported a total of [REDACTED] for Indirect Costs for the period of September 1, 2020 through May 28, 2022.

The indirect costs associated with questioned costs identified in **Notes A, B, C, and D** above resulted in total ineligible indirect costs of \$29,774 and total unsupported indirect costs of \$1,248. This resulted in total questioned indirect costs of \$31,022.

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
[REDACTED]

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 (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 [REDACTED] under Grant Agreement No. [REDACTED] (Agreement) to support the Provision of Community Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster Affected Communities in Afghanistan Program, for the period of September 1, 2020 through May 28, 2022. We have issued our report thereon dated September 27, 2023 with an unmodified opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of September 1, 2020 through May 28, 2022, we considered [REDACTED] internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, we do not express an opinion on the effectiveness of [REDACTED] internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

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Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified five significant deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Findings **2023-01**, **2023-02**, **2023-03**, **2023-04**, and **2023-05** are considered to be significant deficiencies.

█ Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control, and the result of that testing, and not to provide an opinion on the effectiveness of █ 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 █ the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905, should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Conrad LLP

Lake Forest, California
September 27, 2023

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
[REDACTED]

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 (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 [REDACTED] in *Government Auditing Standards* issued by the Comptroller General of the United States, by [REDACTED] under Grant Agreement No. [REDACTED] (Agreement) to support the Provision of Community Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster Affected Communities in Afghanistan Program, for the period of September 1, 2020 through May 28, 2022. We have issued our report thereon dated September 27, 2023 with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether [REDACTED] Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned 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 are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-01, 2023-02, 2023-03, 2023-04, and 2023-05.

[REDACTED] Response to Findings

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

(Continued)

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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 [REDACTED] the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.



Lake Forest, California
September 27, 2023

(Continued)



Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]

Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Schedule of Findings and Questioned Costs

Finding 2023-01: Duplicate Employee Assistance allowance accrued and charged to the Program

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

Condition: Conrad tested 152 transactions out of 13,820 transactions in the Fringe Benefits cost category, representing \$163,313 out of a total [REDACTED] to determine if the Fringe Benefit costs incurred under the Grant Agreement were allowable, reasonable, and adequately supported.

During our testing, we noted [REDACTED] was not properly accounting for the employee assistance (EA). Afghan Labor Law requires organizations to pay employees at the time of their termination, an assistance amount proportionate to the employee’s length of service.

- 1) **Double Billing.** We noted five (5) journal entries in the general ledger for the year-end accrual of the EA allowances for all the employees under the program totaling \$123,599. As a separate and second accrual, [REDACTED] also charged the government [REDACTED] of employee’s base salaries as fringe benefits. The budget narrative included in the Grant Agreement states the [REDACTED] fringe benefit is meant to cover the EA allowances. [REDACTED] stated that in accordance with Afghanistan Labor Law, the accrued EA amounts have not been paid to the employee but will be paid upon the employee’s termination of their employment at [REDACTED].
- 2) **Potential Over Billing.** [REDACTED] normal practice is to accrue the EA allowance for all local staff working on each project [REDACTED] has been running in Afghanistan on an ongoing basis. With this practice there is a risk that the maximum EA allowance would be fully accrued from prior projects and our current project would be overcharged for this allowance, especially as the labor law has stated maximum payments for level of service by years. This could result in an over accrual for those who have been working with [REDACTED] or a long time and completed multiple prior projects in Afghanistan. Since we did not audit all the projects [REDACTED] has/had in the previous year’s up to current, we cannot verify if [REDACTED] has already accrued and billed the government amounts that satisfy the labor law’s maximum EA requirements. However, we reviewed [REDACTED] national staff and found all of them to have service years beyond the period of performance for this program and continued employment with [REDACTED] with [REDACTED] staff within the range of the required EA at the time of this program, see chart below for level of service:

Level of Service	Number of Staff Reviewed
Between 1 and 5 years	12
Between 5 and 10 years	1
Greater than 10 years	12

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
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Schedule of Findings and Questioned Costs (Continued)

This resulted in total ineligible costs of \$123,599 for the five (5) journal entries of accrued EA to the general ledger, the costs associated with the fringe benefit of [REDACTED] has not been questioned in this finding.

Criteria:

2 CFR 200.303, Internal Controls, states in part:

"The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."

Article 25 of the Afghanistan Labor Law states in part:

"The organization has to pay the amount of last salary of the grade as an assistance proportionate to the period of service to the workers whose contract has been terminated on the basis of the provisions mentioned in parts (6, 7, 8, and 10) of paragraph (1) of article 23 of this law as the following:

- *If the duration of work is one year, one month salary with other allowances.*
- *If the duration of work is between one to five years, two months' salary with other allowances.*
- *If the duration of work is five up to ten years, four months' salary with other allowances.*
- *If the duration of work is more than ten years, six months' salary with other allowances."*

[REDACTED] **written Budget Narrative for Grant Agreement No. [REDACTED]** states in part:

[REDACTED]

Cause: [REDACTED] management did not demonstrate they understood they were double billing for EA allowances. They did not review and reverse the accruals to remove them during financial reporting to avoid double billing. [REDACTED] lacked procedures preventing duplicate accruals for EA in programs requiring fringe benefit accruals intended to cover EA allowances. In addition, the lack of management oversight and review failed to detect the double billing practice for the EA allowance.

Effect: The United States Government overpaid for EA allowance costs that were not accurately incurred under the program. In addition, with [REDACTED] normal practice of accruing the EA allowance for local staff from each project creates a potential of an additional overbilling to the United States Government.

(Continued)



Financial Audit of the Special Purpose Financial Statement for
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Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Questioned Costs: We identified \$123,599 in ineligible costs and \$29,045 in associated indirect costs, which resulted in \$152,644 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] return \$152,644 of ineligible costs.
- (2) We recommend that [REDACTED] revise the fringe benefit cost and accrual processes to ensure that the employee assistance allowance is incurred to the program without duplication of costs.
- (3) We recommend [REDACTED] provide training to improve management oversight and supervisory review procedures, with the aim of ensuring staff are able to detect and identify duplicate charges.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-02: Insufficient documentation to show adherence to [REDACTED] procurement policies and procedures

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

Condition: Conrad tested 59 transactions out of 2,007 transactions in the Other Direct Costs category, representing \$108,261 out of a total \$484,094 for these transactions. During our testing to determine if costs incurred under the Grant Agreement were reasonable, adequately supported, and properly approved, we identified four instances where [REDACTED] did not use negotiated procurement procedures, required for procurements between \$1,000 and \$150,000 and for procurements just under the \$1,000 threshold. This resulted in unsupported costs of \$7,067.

Criteria:

[REDACTED] **Procurement Manual Effective** [REDACTED] states in part:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
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For the Period of September 1, 2020 through May 28, 2022

Schedule of Findings and Questioned Costs (Continued)

2 CFR, § 200.319 Competition, states in part:

“(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements...”

2 CFR 200.403, Factors affecting allowability of costs, states in part:

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...

(c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity...”

2 CFR 200.303, Internal Controls, states in part:

“The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award...”

2 CFR 200.404, Reasonable costs, states in part:

“A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally funded. In determining reasonableness of a given cost, consideration must be given to: ...

(c) Market prices for comparable good or services for the geographic area...

(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.”

Cause: [REDACTED] viewed the procurements as immaterial in amount and unnecessary. Lack of adequate management oversight and supervisory review allowed the procurements to move through [REDACTED] systems without proper documentation demonstrating the goods and/or services were competitively procured in accordance with the company procurement manual and procurement thresholds.

Effect: [REDACTED] lack of adherence to their policies and procedures and Federal regulation requirements may have resulted in the acquisition of goods and/or services at inflated costs to the United States Government and an increased risk of fraud, waste, and abuse.

(Continued)



Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
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For the Period of September 1, 2020 through May 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Questioned Costs: We identified \$7,067 in unsupported costs and \$1,660 in associated indirect costs, which resulted in \$8,727 in total questioned costs.¹

Recommendation:

- (1) We recommend that [REDACTED] provide additional support to demonstrate the allowability of costs incurred or return \$8,727 of unsupported costs.
- (2) We recommend [REDACTED] provide training to improve management oversight and supervisory review procedures, with the aim of ensuring adherence to [REDACTED] internal policies and procedures, and applicable Federal regulation requirements.

¹ Please note that for the amount questioned under other direct costs category ([REDACTED]) and the associated indirect costs [REDACTED], these amounts have already been questioned in Finding 2023-0. Therefore, in the SPFS presentation, these amounts were not questioned again under this finding.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

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Schedule of Findings and Questioned Costs

Finding 2023-03: Costs not related to the Program were erroneously charged to the Program

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

Condition: Conrad tested 59 transactions out of 2,007 transactions in the [REDACTED] category, representing \$108,261 out of a total \$484,094 for these transactions. During our testing to determine if costs incurred under the Grant Agreement were allowable, adequately supported, and properly approved, we identified one instance where [REDACTED] charged costs for a third-party due diligence review of two potential vendors; however, the review was conducted prior to the award date of the Grant Agreement. In addition, neither of these vendors provided supplies or services to the program. This resulted in ineligible costs of \$2,469.

Criteria:

[REDACTED] **Procurement Manual**, states in part:

[REDACTED]

[REDACTED]

[REDACTED] **Procurement Manual**, states in part:

[REDACTED]

2 CFR 200.403, Factors affecting allowability of costs, states in part:

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
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Schedule of Findings and Questioned Costs (Continued)

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...

(c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity..."

2 CFR 200.303, Internal Controls, states in part:

"The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."

Cause: [REDACTED] often conducts third party reviews prior to the award start date. If vendors are not used on the project, it is [REDACTED] practice to exclude the costs associated with the reviews from amounts billed to the funding agency. However, this practice lacks management oversight. As such, a proper review of these pre-award costs was not conducted and the required adjustment to exclude the costs was not made.

Effect: Lack of adequate management oversight resulted in the United States government paying for ineligible costs charged to the Program.

Questioned Costs: We identified \$2,469 in ineligible costs and \$580 in associated indirect costs, which resulted in \$3,049 in total questioned costs.

Recommendation:

(1) We recommend that [REDACTED] provide additional support to demonstrate the allowability of costs incurred or return \$3,049 of ineligible costs.

(2) We recommend that [REDACTED] provide training to improve management oversight and supervisory review procedures to ensure third party due diligence reviews for potential vendors are allocated correctly to the programs where they provide goods or services and are excluded from programs that do not use their goods or services.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
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For the Period of September 1, 2020 through May 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-04: Insufficient documentation to show mobile top up cards purchased were received by the intended end user

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

Condition: Conrad tested 30 transactions out of 604 transactions in the [REDACTED] category, representing \$53,373 out of a total \$154,693 for these transactions. During our testing we noted one instance where a team lead signed as the receiving individual for receipt of mobile top-up cards for multiple field staff members. [REDACTED] did not provide documentation indicating the top-up cards were distributed to or received by field staff. This resulted in unsupported costs of \$716.

Criteria:

[REDACTED]

2 CFR 200.403, Factors affecting allowability of costs, states in part:

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity...*
- (g) Be adequately documented...*”

2 CFR 200.303, Internal Controls, states in part:

“The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award...”

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
for Crisis and Disaster Affected Communities in Afghanistan

For the Period of September 1, 2020 through May 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Cause: [REDACTED] lacked policies and procedures to ensure the distribution of goods and services are documented to show the receipt of those goods and services to the current individuals or departments. In addition, [REDACTED] lacked management oversight to ensure top-up cards were signed for and received by the appropriate staff members.

Effect: Lack of proper documentation to show the costs were used appropriately and as intended increases the risk of fraud, waste, and abuse and the United States Government overpaying for costs incurred.

Questioned Costs: We identified \$716 in unsupported costs and \$168 in associated indirect costs, which resulted in \$884 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide additional support to demonstrate the mobile top up cards were received or used by the appropriate staff or return \$884 of unsupported costs.
- (2) We recommend that [REDACTED] develop a policy and procedure for distribution of goods to field staff that would provide accountability and documentation of the costs for purchased goods and required signatures.
- (3) We recommend [REDACTED] provide training to improve management oversight to ensure proper receipt documentation is maintained for purchased goods.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
Grant Agreement No. [REDACTED]
Provision of Community-Based Gender-Based Violence and Psychosocial Support Services
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For the Period of September 1, 2020 through May 28, 2022

Schedule of Findings and Questioned Costs (Continued)

Finding 2023-05: Solar panels were installed on an employee's personal home

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

Condition: Conrad tested eight (8) transactions out of 125 transactions in the [REDACTED] category, representing \$8,970 out of a total \$29,106 for these transactions. During our testing, we identified one instance where [REDACTED] installed solar panels on an employee's home. [REDACTED] did not communicate with or gain approval from USAID prior to the panel's installation. The solar panels constitute a home improvement as they added value to the home. Additionally, the panels provided a personal expense benefit to the employee. Personal home improvement expenses and personal home benefits are not allowable. The installation and use of the solar panels resulted in ineligible costs of \$635.

Criteria:

2 CFR 200.403, Factors affecting allowability of costs, states in part:

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.*
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items...”*

2 CFR 200.303, Internal Controls, states in part:

“The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award...”

2 CFR 200.445, Goods or services for personal use, states in part:

- “(a) Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.*
- (b) Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses are only allowable as direct costs regardless of whether reported as taxable income to the employees. In addition, to be allowable direct costs must be approved in advance by a Federal awarding agency.”*

2 CFR 200.439(b)(3), Equipment and other capital expenditures, states in part:

“Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity...”

(Continued)



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Schedule of Findings and Questioned Costs (Continued)

Cause: [REDACTED] stated that due to safety concerns, the employee had to work from home, but [REDACTED] home lacked a consistent power source. As such [REDACTED] determined the solar panels to be a necessary and viable solution. [REDACTED] considered the costs and installation of the solar panels to be immaterial, appropriate, and allowable. [REDACTED] should have sought and received approval from USAID for the installation of solar panels for energy purposes and to retrofit the employee's personal residence. At this time, the panels remain on the home, and continue to personally benefit the employee, and potentially [REDACTED] did not have policies and procedures related to 2 CFR 200.445 and 2 CFR 200.439 which may have prevented [REDACTED] from incurring ineligible costs.

Effect: The United States Government paid for costs that were unallowable under federal guidelines.

Questioned Costs: We identified \$635 in ineligible costs and \$149 in associated indirect costs, which resulted in \$784 in total questioned costs.

Recommendation:

- (1) We recommend that [REDACTED] provide additional support to demonstrate the allowability of costs incurred or return \$784 of ineligible costs.
- (2) We recommend that [REDACTED] develop and implement internal control policies and procedures to ensure that modifying an employee's personal residence to accommodate telework performed under a contract has been approved by USAID.
- (3) We recommend that [REDACTED] develop management oversight and review to ensure unallowable personal costs and costs related to home improvements are excluded from the Program, in accordance with 2 CFR 200.445 and 2 CFR 200.439.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
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Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from [REDACTED] SIGAR, and USAID pertaining to grant activities under this audit. We identified two prior audit reports which contained five findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, including discussion with [REDACTED] management, and performed testing of similar activities during our audit. We have summarized the results of our procedures below:

1. Financial and Close-out Audit of Costs Incurred in Afghanistan of the USAID Resources Managed by [REDACTED] under Cooperative Agreement [REDACTED] for the period [REDACTED] through [REDACTED]

Finding 2021-01: Deviations from the original budget without approval from funding agency, resulting in ineligible costs charged to the project.

Issue: [REDACTED] deviated from the original budget without approval from the funding agency.

- Certain personnel positions presented on the pay support, such as a project employee listing and employment agreements, provided by [REDACTED] were not distinctly nor reasonably identifiable in the approved budget.
- [REDACTED] employee salaries claimed were in excess of the approved budget for the respective positions.

Status: We reviewed [REDACTED] payroll and the approved budget. During our sample-based testing we did not identify any similar issues, and this finding was not repeated. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2021-02: Alleged fraud incidents for Cooperative Agreement [REDACTED]

Issue: [REDACTED] self-disclosed that they had received [REDACTED] allegations of fraud from [REDACTED] different sources between [REDACTED] and [REDACTED] all related to potentially falsified procurement documents. After the investigation, [REDACTED] concluded that they overcharged \$13,817 to Cooperative Agreement [REDACTED].

Status: There is no recommendation as [REDACTED] took appropriate actions to address the fraud incidents they identified and reversed \$13,817 in the billing to the United States Government. For the current engagement, we were not made aware of fraud allegations related to falsified procurement documents. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

2. SIGAR Financial Audit 22-17 for the period of September 1, 2019 through October 31, 2020

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
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Status of Prior Audit Findings (Continued)

Finding 2022-01: Deviations from the original budget without approval from funding agency, resulting in ineligible costs charged to the project.

Issue: [REDACTED] deviated from the original budget without approval from the funding agency.

- Several personnel positions identified in the project employee listing and/or employment agreements were not in the approved budget but were charged to the Program. In addition, there were multiple instances in which the number of positions charged for certain positions exceeded the number of positions approved in the budget.
- [REDACTED] employee salaries claimed were in excess of the approved budget for the respective positions.

Status: We reviewed [REDACTED] payroll and the approved budget. During our sample-based testing we did not identify any similar issues, and this finding was not repeated. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2022-02: Unallowable salary and travel costs charged to the project.

Issue: Unallowable salary and travel costs were charged to the project:

- Local employees' salaries were erroneously overcharged.
- Local employees did not work 100% on the project, but their entire annual pension costs were charged to the project.
- Travel costs not related to the project were erroneously charged.

Status: For the current engagement, we reviewed local employees' salaries and travel costs allocated to the project. During our sample-based testing we did not identify any similar issues, and this finding was not repeated. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

Finding 2022-03: [REDACTED] was unable to provide evidence of employee reference checks.

Issue: [REDACTED] did not provide sufficient documentation to demonstrate that employees met [REDACTED] employment requirements. [REDACTED] internal policy requires at least one reliable professional reference before the employment contract can be issued for a support staff employee. Furthermore, for any employee above the level of support staff, at least two professional references must be obtained.

Status: For the current engagement, we reviewed the employees' personnel files. During our sample-based testing we did not identify any similar issues, and this finding was not repeated. As such, we concluded that [REDACTED] has taken adequate corrective action on this finding.

(Continued)

[REDACTED]

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[REDACTED] **Responses to Audit Findings**

Included on the following pages are [REDACTED] responses received to the findings identified in this report.

September 6, 2023

Jacque Rogers, CFE
Senior Audit Manager/Controller
Conrad LLP

SUBJECT: SIGAR F-254 [REDACTED] Draft Report

Dear Ms. Rogers,

Enclosed please find the management response to draft Financial Audit of the Special Purpose Financial Statement for Grant Agreement No [REDACTED] SIGAR audit F-254.

The project in question was awarded by the United States Agency for International Development's Democracy, Conflict, and Humanitarian Assistance Bureau and Office of U.S. Foreign Disaster Assistance. Project title: Provision of Community Based Gender-Based Violence and Psychosocial Support Services for Crisis and Disaster Affected Communities in Afghanistan.

If you have any questions, please let me know.

Sincerely,

[REDACTED]
VP, International Finance

Audit finding:	Management Response:
<p>Finding 2023-01: Duplicate Employee Assistance allowance accrued and charged to the Program</p>	<p>██████████ respectfully disagrees with the auditor’s finding and the recommendation.</p> <p>Please note the following:</p> <p>1) <u>There is no double billing of employee assistance.</u></p> <p>Selected Journal entries correctly show the year-end accrual of EA allowances. Budget narrative is a word document that describes each expense noted in a proposal budget, and we believe that the budget narrative has explained this benefit in adequate detail. The accrual was therefore disclosed to USAID and the accrual methodology has been consistently applied to all relevant projects based on equitable key of allocation.</p> <p>In accordance with the US GAAP, ██████ follows the accrual base of accounting. Therefore, the EA accrual is fully allowable even though it wasn’t paid out. The benefit will be paid out when conditions for payment are met. In accordance with Afghan law, EA will be paid out when the employment contract is no longer renewed (except if the employee's contract is terminated due to violation of the contract articles or human resources policy).</p> <p>██████ has controls in place to ensure EA is accrued only once and, if conditions for payment are met, - paid out once. A detailed analysis was shared with the auditor, for selected employees. The analysis shows the number of employment years per employee and is regularly monitored. The calculation is prepared by the Senior HR/Admin Manager, reviewed by the Finance Director, and approved by the Country Director. The EA calculation based on an employee’s work years is cross-checked with the accounting accrual to make sure there is no double billing. ██████ therefore has effective internal control in place, as required by 2 CFR 200.303, Internal Controls.</p> <p>Most importantly, the auditor did not exhibit any evidence of double booking. The claims of double booking are based on assumptions. ██████ has once more checked its accrual calculation and confirms that there was no double booking or overcharging.</p> <p>2) <u>There is no overbilling of EA allowance for Afghanistan national staff.</u></p> <p>Many ██████ employees in Afghanistan have been working with ██████ continuously for more than 10 years which means they earned a maximum number of EA salaries. An adjustment is made if an employee is promoted and/or his/her salary increased because Afghanistan labor law requires payment of the most recent salary level.</p> <p>For two selected long-term employees, ██████ shared the calculation with the auditor and had demonstrated that accrual was correctly calculated.</p> <p>██████ EA accrual is in line with the Article 25 of the Afghanistan Labor Law ██████ started accruing EA for national staff when the local lawyer advised ██████ to do so based on the</p>

	<p>Afghanistan labor law. Therefore, this was confirmed by the third party (Chartered Accountants [REDACTED]) that proves [REDACTED] compliance with the local Afghanistan law. In addition, Afghanistan Ministry of Labor reviewed and approved [REDACTED] human resources policy, and [REDACTED] follows the approved policy.</p> <p>Even though the auditor didn't review <i>all</i> past projects, the auditor now reviewed the third USAID project in Afghanistan. The EA accrual practice was not questioned by Conrad in two previous audits. The EA accrual was selected by Conrad audit of [REDACTED], selection FFB-2, FFB-3 and FFB-4. There were no findings related to this accrual in the audit report. The EA accrual methodology was also never questioned by [REDACTED] in [REDACTED] Single Audit/A-133.</p> <p>Criteria:</p> <p>2 CFR 200: <i>"The charges may be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied."</i></p> <p>2 CFR 200.430 Compensation—personal services.</p> <p><i>"General. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries."</i></p> <p>2 CFR 200.404 Reasonable cost.</p> <p><i>"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost."</i></p> <p>As a conclusion, [REDACTED] does not agree on any points of auditor's recommendation and confirms that it has internal controls in place to avoid double billing or potential overbilling. A reversal of accrual should not be made because there is no duplication. Two management members are responsible for oversight of EA accrual (FD and CD). In addition, the accrual is sporadically tested by HQ Financial Control Unit.</p>
<p>Finding 2023-02: Insufficient documentation to show adherence to [REDACTED] procurement policies and procedures</p>	<p>[REDACTED] respectfully disagrees with the auditor's finding and the recommendation.</p> <p>The procurement methodology for selected costs was valid and in line with [REDACTED] procedure. As per [REDACTED]</p> <p>[REDACTED] states: [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

	<p>The Manual does not define the exact value that should be considered as [REDACTED] for the negotiated procedure. Estimated total cost according to the PR was \$919 for one procurement and \$935 for the other procurement. This is not considered as [REDACTED].</p> <p>As a matter of fact, the example given in the manual [REDACTED] close to the [REDACTED]. Proportionally, an estimated expense of \$975 would be considered as close to the [REDACTED]. Since the estimated cost was \$919 and \$935 respectively, [REDACTED] adequately follows its own procedure.</p> <p>[REDACTED] also has adequate management oversight and supervisory review. The principle of proportionality is respected and included in [REDACTED] procedure. In accordance with [REDACTED] [REDACTED]</p> <p>[REDACTED] therefore does not agree on any points of the auditor’s recommendation.</p>
<p>Finding 2023-03: Costs not related to the Program were erroneously charged to the Program</p>	<p>[REDACTED] agrees with the finding and the recommendation. \$3,049 was already returned to USAID in August 2023.</p>
<p>Finding 2023-04: Insufficient documentation to show mobile top up cards purchased were received by the intended end user</p>	<p>[REDACTED] respectfully disagrees with the auditor’s finding and the recommendation.</p> <p>In 2021, [REDACTED] management in Afghanistan made a strategic decision to provide mobile top-up cards to field staff for security reasons in the office and to ensure field staff employees can be reached. The team leader is responsible for distributing mobile top-up cards to respective team members. The recipients of top-up cards are team members, and a list of their names is available in the backup documentation.</p> <p>To ensure transparency and accountability of the distribution process, the assigned supervisor oversees the card distribution by confirming it with the field staff employees through mobile phone. If staff members had not received top-up mobile cards, they wouldn’t be using their phones.</p> <p>In conclusion, the team lead has the authority to sign distribution of mobile top-up cards worth \$716 in total. For [REDACTED] staff members, the value of each top-up card is less than \$10/person.</p> <p>The evidence of distribution is in the fact that staff can perform the work and answer the phone. In March 2023, [REDACTED] already shared a memo which additionally explains the mobile top-up cards process; however, this was outside of the audited project period.</p> <p>[REDACTED] therefore does not agree on any points of the auditor’s recommendation.</p>

Finding 2023-05: Solar panels were installed on an employee's personal home

██████████ respectfully disagrees with the auditor's finding and the recommendation.

Solar panels were purchased for the audited project and used for the audited project. The cost is fully allowable, allocable, and reasonable.

Due to a serious, life treating security incident which incurred at the time when security situation in ██████████ bad, ██████████ wasn't able to perform ██████████ work from ██████████ office. ██████████ was asked to continue performing job duties from ██████████ home which enabled the project continuity, financial management and reporting.

A very small solar panel that supports the work of ██████████ work laptop. The value of the panel is \$680. This is, therefore, not a personal home improvement expense but a necessary and reasonable installation of a small supply item, no different than a battery charger or a small printer.

One solar panel does not personally benefit the employee. The project benefits from continuous operation of financial department in Afghanistan. In addition, this is a security measure for ██████████ staff.

According to USAID regulations and 2CFR200, prior approval is required to buy equipment. However, this is not equipment. It is a supply item with a value of less than \$5,000.

The auditor says ██████████ should have asked for USAID's prior approval prior to installation of a supply which is not required by regulations or by the cooperative agreement's special conditions.

It is up to ██████████ management and security team to determine the best location of supplies while ensuring that supplies and the staff remain safe, and that supplies are used for direct benefit of the project.

Due to the unpredictability of the security situation in Afghanistan, as well as ██████████ ██████████ it is still necessary to have ██████████ fully able to work from home. Thus, ██████████ Afghanistan management decided to keep the installed solar panels, until situation improves and enables the ██████████ to be able to fully work from the office.

██████████ therefore does not agree on any points of the auditor's recommendation.

[REDACTED]

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Auditor's Rebuttal to [REDACTED] Responses to Audit Findings

[REDACTED] disagreed with Findings **2023-01**, **2023-04**, **2023-05**, partially disagreed with Finding **2023-02**, and agreed with Finding **2023-03**. Auditor's rebuttals to [REDACTED] responses received related to the audit findings identified in this report are presented below:

Finding 2023-01: [REDACTED] disagreed with the finding and recommendations. [REDACTED] stated the following:

- There is no double billing of employee assistance (EA) allowances.
- There is no overbilling of employee assistance allowance for local staff.

In conclusion, [REDACTED] stated they do not agree on any point of the auditor's recommendation and asserted they have internal controls in place to avoid double billing or potential overbilling. They said that the accrual should not be reversed because there is no duplication. They noted two management members are responsible for oversight of EA accrual ([REDACTED] and [REDACTED]) and that the accrual is sporadically tested by [REDACTED]

Auditor Rebuttal:

- 1) **Double Billings.** [REDACTED] response makes repeated assertions that it has not double billed the EA allowance. Yet in its two-page response to it does not mention the [REDACTED] fringe benefit allowance. This is significant because this is the crux of the finding. [REDACTED] **double billed the program because it charged the program for an EA allowance and also an [REDACTED] fringe benefit allowance.** [REDACTED] is correct that the EA allowance was discussed in the budget narrative, but what they failed to report is that the budget narrative clearly states that the [REDACTED] fringe benefit is intended to cover EA allowances. As such, the additional charge for EA is an obvious duplication since [REDACTED] already covered the EA requirement with the fringe benefit calculated at [REDACTED] of each national employee's base salaries. Therefore, the year-end EA accrual should be reversed during financial reporting to avoid double billing.
- 2) **Potential for Overbilling.** Conrad has questioned the entire EA accrual since we demonstrated in the finding it was a duplication of the EA allowance. If there were a scenario where [REDACTED] was not charging the [REDACTED] fringe allowance, then it would be important to look at [REDACTED] EA allowance because we believe there is a potential that [REDACTED] is over accruing. As stated in the finding, [REDACTED] practice of accruing the EA allowance for all local staff working on each project running in Afghanistan on an ongoing basis leaves the possibility of over accrual for those who have been working with [REDACTED] for a long time and completed multiple prior projects in Afghanistan. After fieldwork [REDACTED] provided us with two pages of support which summarized the overall EA allowable amount for two long term employees. These documents had no calculations and no support for

(Continued)



Financial Audit of the Special Purpose Financial Statement for
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Auditor’s Rebuttal to [REDACTED] Responses to Audit Findings

the calculated EA, nor did the documents show how the amount has not been over accrued. We cannot verify the validity of this document. In addition, [REDACTED] response stated that if an employee is terminated due to a violation of the contract articles or human resources policies, the EA allowance will not be paid out which would also create an overbilling of costs to the United States Government. We saw no evidence [REDACTED] was monitoring the EA allowance on an employee basis by years of service, and in fact we did not see cases where [REDACTED] was charging the government for anything but the maximum amount for all employees; additionally, we did not see there were reversals of allowances for employee’s terminated for cause. The fact that the EA accrual practice was not questioned by Conrad in previous audits does not alleviate the impact of this finding. In fact, on the previous two audits, we analyzed the transaction ledger and did not find that the accrual transactions were double billed to the United States Government, as the costs were either reversed or not included in the transaction ledger we reviewed. The fringe benefit of [REDACTED] was tested on the prior audits and was not questioned as it was an approved rate under the award budget.

As such, our finding and recommendations remain unchanged.

Finding 2023-02: [REDACTED] partially disagreed with the finding and recommendations. [REDACTED] responded regarding two (2) of the instances in this finding and was silent on the remaining two (2) instances in this finding. [REDACTED] stated that the procurement methodology for selected costs was valid and in line with [REDACTED] procedures. [REDACTED] stated the Procurement Manual does not define an exact value that should be considered as ‘close to the upper limit,’ however, they noted an example in [REDACTED]

[REDACTED] They reasoned that two of the expenses in the finding, one for \$919 and the other for \$935, were not ‘close to the threshold’ as they were both below [REDACTED] also argued they have adequate management oversight and supervisory review. They also asserted the principle of proportionality is respected and included in [REDACTED] procedures and in accordance with [REDACTED] Procurement Manual.

Auditor Rebuttal:

[REDACTED] did not follow their procurement policies when the prices were close to the upper limit in two (2) instances [REDACTED] did not use negotiated procurement procedures required for procurements just under the [REDACTED] threshold. The understanding of [REDACTED]

[REDACTED] does not include the [REDACTED] test of [REDACTED] threshold stated in [REDACTED] response.

(Continued)

[REDACTED]

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Auditor's Rebuttal to [REDACTED] Responses to Audit Findings

In addition, a [REDACTED] test is too narrow of a window as many actual purchases can fluctuate by [REDACTED] or more. As such, the two (2) noted instances, with the estimated value of \$919 and \$935, respectively, should have followed this procurement procedure as the converted rate made the cost on the purchase requisition exceed [REDACTED]. For the remaining two (2) instances in which [REDACTED] did not use negotiated procurement procedures required for procurements between [REDACTED], [REDACTED] did not provide a response to this issue. As such, our finding and recommendations remain unchanged.

Finding 2023-03: [REDACTED] agreed with the finding and recommendations. [REDACTED] stated that the ineligible costs of \$3,049 was returned to USAID in August 2023.

Auditor Rebuttal:

No rebuttal is deemed necessary as [REDACTED] concurred with the finding and recommendations.

Finding 2023-04: [REDACTED] disagreed with the finding and recommendations. [REDACTED] stated that in 2021, [REDACTED] management in Afghanistan made a strategic decision to provide mobile top-up cards to field staff for security reasons to ensure field staff employees can be reached. They noted the [REDACTED] was responsible for distributing mobile top-up cards to respective team members. [REDACTED] stated to ensure transparency and accountability of the distribution process, the assigned supervisor confirmed the distribution with the field staff through mobile phone. [REDACTED] added that team leads have the authority to sign for the distribution of mobile top-up cards worth \$716 in total. [REDACTED] argued that if staff members had not received the top-up cards, they would not be using their phones and that the evidence of distribution is in the fact that staff can perform the work and answer the phone.

Auditor Rebuttal:

As stated in the finding, we could not properly determine if [REDACTED] assertion that the mobile top-up cards were distributed, received, and used by the field staff members due to [REDACTED] inability to provide appropriate evidence supporting this claim. Therefore, the cost remains unsupported. As such, our finding and recommendations remain unchanged.

Finding 2023-05:

[REDACTED] disagreed with the finding and recommendations. [REDACTED] maintains the solar panels were purchased for and used on the audited project; therefore, they argued the cost associated with the panels should be fully allowable, allocable, and reasonable.

- [REDACTED] said that due to a serious, life-threatening security incident, [REDACTED] [REDACTED] was not able to perform [REDACTED] work from the [REDACTED] office. [REDACTED] was asked to continue performing job duties from [REDACTED] home to enable project continuity, financial management, and reporting.

(Continued)

[REDACTED]

Financial Audit of the Special Purpose Financial Statement for
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Auditor's Rebuttal to [REDACTED] Responses to Audit Findings

- [REDACTED] explained that a very small solar panel, with a value of \$680 that supported [REDACTED] work laptop, was not a personal home improvement expense but a necessary and reasonable installation of a small supply item, no different than a battery charger or a small printer.
- [REDACTED] claimed the solar panel did not personally benefit the employee. They maintained that the project benefited from the continuous operation of its [REDACTED] in Afghanistan and reiterated the [REDACTED] needed to work from home because of the security situation in Afghanistan.
- [REDACTED] asserted the solar panel purchase fell outside of USAID regulations and 2 CFR 200, as the value of the panel was less than \$5,000; as such, they argued prior approval of the purchase was unnecessary.
- [REDACTED] added that although the project is complete there is a continued need for the [REDACTED] to work from home due to the unpredictability of the security situation in Afghanistan, as well as [REDACTED]. Thus, [REDACTED] Afghanistan management decided to leave the solar panels installed until the situation improves and [REDACTED] is fully able to work from the office.

As a conclusion, [REDACTED] stated they do not agree on any points of the auditor's recommendation.

Auditor Rebuttal:

As cited in the Criteria section of the finding, 2 CFR 200.445 which states that the costs of goods or services for personal use are unallowable. Our review of the supporting documentation showed no evidence the solar panel was strictly to support the [REDACTED] work laptop or to work strictly on the program under audit. Furthermore, [REDACTED] stated that "it is still necessary to have the [REDACTED] fully able to work from home" which means that even though the project is complete the panels are still installed on [REDACTED] personal home. [REDACTED] assertion that the solar panels are equivalent to supplies and not equipment is not the determining factor in this finding. The solar panels constitute a home improvement as they added value to the home during the program under audit and they continue to add value, therefore, USAID's prior approval is required. Our finding and recommendations remain unchanged.

SIGAR's Mission

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

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

Obtaining Copies of SIGAR Reports and Testimonies

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

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

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

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone International: +1-866-329-8893
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SIGAR's Mission

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