

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 14-19 Financial Audit

USAID's Community Development Program: Audit of Costs Incurred by Mercy Corps



JANUARY
2014



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

January 13, 2014

Dr. Rajiv Shah
Administrator
U.S. Agency for International Development

Mr. William Hammink
Mission Director for Afghanistan
U.S. Agency for International Development

This letter transmits the results of our audit of costs incurred by Mercy Corps, in partnership with Save the Children Federation, under a cooperative agreement with USAID for the Community Development Program.¹ The audit covered the period March 10, 2009, to December 31, 2011, and was performed by Mayer Hoffman McCann P.C. It covered \$69,050,785 in expenditures.

The Community Development Program provided “cash-for-work” wages to local participants in 11 provinces throughout Afghanistan. According to Mercy Corps, the purpose of this program is to provide temporary employment in public projects (such as repairing roads, clearing debris, or re-building infrastructure) to the most vulnerable segments of a population. Mercy Corps reported that the program provided wages to 30,000 participants.

The specific objectives of this financial audit were to

- render an opinion on the fair presentation of Mercy Corps’ Fund Accountability Statement;²
- determine and report on whether Mercy Corps has taken corrective action on recommendations from prior audits or assessments;
- identify and report on significant deficiencies, including any material weaknesses, in Mercy Corps’ internal control over financial reporting; and
- identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.

In contracting with an independent audit firm and drawing from the results of its audit, SIGAR is required by auditing standards to provide oversight of the audit work performed. Accordingly, SIGAR reviewed Mayer Hoffman McCann P.C.’s audit results and found them to be in accordance with generally accepted government auditing standards.

Mayer Hoffman McCann P.C. issued a qualified opinion on the fairness of the presentation of the Fund Accountability Statement based upon the identification of \$682,241 of questioned costs, which represent a material misstatement of the Fund Accountability Statement. Mayer Hoffman McCann P.C. also noted two prior recommendations that could have a material effect on the Fund Accountability Statement and determined that adequate corrective action was not taken on one of the recommendations. Specifically, Mercy Corps has not

¹ USAID’s Cooperative Agreement, 306-A-00-09-00512-00. Save the Children Federation received a subaward under the cooperative agreement.

² The Fund Accountability Statement is a special purpose financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

taken adequate actions to address an internal control designed to monitor to Save the Children Federation's use of federal funds. In addition, Mayer Hoffman McCann P.C. found six other internal control deficiencies and three instances of noncompliance, which prompted the auditors to question a total of \$682,241 in incurred costs. Of the questioned costs, \$2,296 was considered to be ineligible costs ³ and the remaining \$679,945 unsupported costs.⁴ See table 1.

Table 1 - Summary of Questioned Costs

Category	Questioned Costs Total	Ineligible	Unsupported
Personnel	\$21,758	\$1,853	\$19,905
Fringe Benefits	\$4,720	\$175	\$4,545
Travel	\$80		\$80
Contractual (Program)	\$13,825		\$13,825
Contractual (Subgrant)	\$630,593		\$630,593
Other Direct Costs	\$5,421		\$5,421
Indirect Costs	\$5,844	\$268	\$5,576
Totals	\$682,241	\$2,296	\$679,945

Given the results of the audit, SIGAR recommends that the Mission Director of USAID/Afghanistan:

1. Determine the allowability of and recover, as appropriate, \$682,241 in questioned costs identified in the report.
2. Advise Mercy Corp to address the six internal control findings identified in the report.
3. Advise Mercy Corp to address the three compliance findings identified in the report.

We will be following up with your agency to obtain information on the corrective actions taken in response to our recommendations.



John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F017)

³ Ineligible costs are costs that the auditor has determined to be unallowable. These costs are recommended for exclusion from the Fund Accountability Statement and review by USAID to make a final determination regarding allowability.

⁴ Unsupported costs are those costs for which adequate or sufficient documentation necessary for the auditor to determine the propriety of costs was not made available.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

Table of Contents

	<u>Page</u>
Summary:	
Background	1
Objectives, Scope and Methodology	1
Summary of Results	4
Summary of Mercy Corps' Responses to Findings	8
Review of Prior Findings and Recommendations	9
Independent Auditors' Report on Fund Accountability Statement	11
Fund Accountability Statement	13
Notes to Fund Accountability Statement	14
Independent Auditors' Report on Internal Control	21
Independent Auditors' Report on Compliance	23
Findings and Responses	24
Appendices:	
Appendix A: Response to Findings	46
Appendix B: Detail Results to Finding 2013-1	84
Appendix C: Auditors' Rebuttal to Response to Findings	90
Appendix D: Management Responses to Specific Transactions Questioned and MHM Rebuttal	94

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

Background

On March 10, 2009, the United States Agency for International Development (USAID) awarded Cooperative Agreement No. 306-A-00-09-00512-00 (Agreement) to Mercy Corps, in partnership with Save the Children Federation (SCF). The initial award was in the amount of \$10,500,000 with a period of performance from March 10, 2009 through November 5, 2009. The initial award included a \$2,000,000 subaward to SCF, which was also included in the scope of this audit. The purpose of the Agreement was to provide support for the Community Development Program (CDP) (formerly the Food Insecurity Response for Urban Populations Program (FIRUP)) in four key provinces in northern Afghanistan. Specifically, the Agreement was to provide Cash-for-Work (CFW) wages for 30,000 local participants in the Afghan cities and suburbs of Mazar-e-Sharif, Kunduz, Pul-e-Khumri, and Bamyan. The Agreement was modified 13 times, increased the award to \$69,237,804, extended the period of performance through December 31, 2011 and increased the number of provinces included in the scope by adding Balkh, Baghlan, Fariyab, Kapisa, Parwan, Samangan, and Sar e Pul. Of the total obligated amount, \$19,500,000 was subawarded to SCF. Mercy Corps is a 501(c)(3) tax-exempt organization based in Portland, Oregon.

The Special Inspector General for Afghanistan Reconstruction (SIGAR) contracted with Mayer Hoffman McCann P.C. (MHM) to perform a Financial Audit of Costs Incurred under the Agreement for the period March 10, 2009 to December 31, 2011.

Objectives, Scope and Methodology

Objectives

The objectives of the audit include the following:

- *Internal Controls* – Evaluate and obtain a sufficient understanding of Mercy Corps' internal controls related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether Mercy Corps complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether Mercy Corps has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the Fund Accountability Statement.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

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

Scope

The scope of this audit included all costs incurred during the period March 10, 2009 to December 31, 2011 under the Agreement. Our testing of indirect costs was limited to determining that the indirect costs were calculated using the correct final negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved by USAID.

Methodology

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

Entrance Conference

An entrance conference was held via conference call on June 17, 2013. Participants included representatives of Mercy Corps, SIGAR and USAID.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of Mercy Corps;
- Reviewed award No. 306-A-00-09-00512-00 and all modifications;
- Reviewed regulations specific to USAID and the award;
- Performed a financial reconciliation; and
- Selected samples based upon our approved sampling techniques. According to the approved sampling plan, we used the detailed accounting records that were reconciled to the financial reports, and based upon the risk assessed included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high or medium risk for inclusion in our test of transactions. If the population of a given cost category tended to be large in number of transactions and more homogeneous in nature, we selected a statistical sample of the costs. The sample size tested was based upon a 95% confidence level with 5% maximum tolerable error rate. The sample was selected on a random basis. All other cost categories and/or accounts for which it was not appropriate to

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

select a statistical sample, we selected the sample on a judgmental basis. Our sampling methodology for judgmental samples is as follows:

- For related party transactions, we tested 100% of the transactions.
- For high risk cost categories, we sampled at least 50% of the dollar value of the account.
- For medium risk cost categories, we sampled at least 20% of the dollar value of the account.
- For low risk cost categories, we sampled 10% of the dollar value of the account, not to exceed 50 transactions in total for all accounts comprising low risk cost categories.

For those cost categories and/or accounts that were selected on a statistical basis, we calculated an error rate and projected the results to the population. If the results for a judgmental sample indicated a material error rate, our audit team consulted with the Audit Manager and Project Director as to whether the sample size should be expanded. If it appeared that based upon the results of a judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

For management and administration, although the entire cost category was assessed to be high risk, it was made up of several different accounts. We reviewed the individual accounts that comprised management and administration from a risk perspective, based upon dollar value of the account and/or nature of expenses included in the account. Those individual accounts deemed to be high risk were judgmentally sampled at high risk levels.

Internal Control Related to the FAS

We reviewed Mercy Corps' internal controls related to the FAS. This review was accomplished through interviews with management and key personnel, review of policies and procedures, identifying key controls within significant transaction cycles, and testing those key controls.

Compliance with Agreement Requirements and Applicable Laws and Regulations

We reviewed the Agreement, modifications and subawards and documented all compliance requirements that could have a direct and material effect on the FAS. We assessed inherent and control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance.

Corrective Action on Prior Findings and Recommendations

We requested all reports from previous engagements in order to evaluate the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the FAS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

Fund Accountability Statement

In reviewing the FAS, we performed the following:

- Reconciled the costs on the FAS to the Agreement and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Agreement, and reasonable.

Exit Conference

An exit conference was held on September 26, 2013 via conference call. Participants included representatives of Mercy Corps, SCF, SIGAR and USAID. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

Summary of Results

Our audit of the costs incurred by Mercy Corps under the Agreement with USAID identified the following matters:

Auditor's Opinion on FAS

We issued a qualified opinion on the fairness of the presentation of the FAS based upon the identification of \$682,241 of questioned costs, which represents a material misstatement of the FAS. The ultimate determination of whether the identified questioned costs are to be accepted or disallowed rests with USAID.

Questioned Costs

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are deemed to not be allowable in accordance with the terms of the Agreement or applicable laws and regulations, including 22 CFR Part 226 and Office of Management and Budget (OMB) Circular A-122. Unsupported costs are those costs for which no or inadequate supporting documentation was provided for our review. A summary of questioned costs is as follows.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

Ineligible Costs

- Mercy Corps claimed personnel costs for 3 employees who either did not work on the CDP or worked less than 100% on the CDP but were claimed at 100%, which resulted in questioned costs of \$2,296. See Finding 2013-2 in the Findings and Responses section of this report.

Unsupported Costs

- Documentation was either not provided or insufficient documentation was provided to support CFW expenses claimed under the contractual (program) and contractual (subgrant) cost categories. The contractual (program) cost category consists of contractual costs incurred by Mercy Corps. The contractual (subgrant) cost category consists of contractual costs incurred by SCF. This resulted in questioned costs of \$369,474. See Finding 2013-1 in the Findings and Responses section of this report.
- Personnel and related costs were not supported by valid employee agreements and timesheets, or timesheets were not approved by the immediate supervisor, which resulted in questioned costs of \$260,623. See Finding 2013-2 in the Findings and Responses section of this report.
- Documentation was either not provided or insufficient documentation was provided to support transactions selected for testing within travel, contractual (subgrant) and other direct costs, which resulted in questioned costs of \$42,844. See Finding 2013-3 in the Findings and Responses section of this report.
- Documentation was not provided to support procurement efforts within contractual (program), contractual (subgrant) and other direct costs, which resulted in questioned costs of \$7,004. See Finding 2013-4 in the Findings and Responses section of this report.

Total questioned costs as a result of our audit are as follows. These questioned costs resulted in a material misstatement of the FAS.

Ineligible costs	\$ 2,296
Unsupported costs	<u>679,945</u>
Total questioned costs	<u>\$682,241</u>

Internal Control Findings

Internal control findings are classified into three categories, deficiency, significant deficiency, and material weakness. 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,

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

to prevent, or detect and correct, misstatements 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. 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 FAS will not be prevented, or detected and corrected on a timely basis. A summary of the internal control findings noted as a result of the audit are as follows:

Material Weakness

The following material weaknesses were reported.

Finding Number	Internal Control Finding – Material Weakness	Auditee's Concurrence
2013-1	Documentation was either not provided or insufficient documentation was provided to support CFW expenses claimed under the contractual (program) and contractual (subgrant) cost categories, which resulted in questioned costs of \$369,474.	Disagree
2013-2	Mercy Corps claimed personnel costs for 3 employees who either did not work on the CDP or worked less than 100% on the CDP but were claimed at 100%, which resulted in questioned costs of \$2,296. Additionally, personnel and related costs were not supported by valid employee agreements and timesheets, or timesheets were not approved by the immediate supervisor, which resulted in questioned costs of \$260,623.	Partially Agree

Significant Deficiency

The following significant deficiencies were reported:

Finding Number	Internal Control Finding – Significant Deficiency	Auditee's Concurrence
2013-3	Documentation was either not provided or insufficient documentation was provided to support transactions selected for testing within travel, contractual (subgrant) and other direct costs, which resulted in questioned costs of \$42,844.	Partially Agree
2013-4	Documentation was not provided to support procurement	Disagree

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

Finding Number	Internal Control Finding – Significant Deficiency	Auditee's Concurrence
	efforts within contractual (program), contractual (subgrant) and other direct costs, which resulted in questioned costs of \$7,004.	
2013-6	The same individual prepared, reviewed and entered 6 Subjournal Vouchers into the Subjournal.	Disagree
2013-7	Mercy Corps miscoded supplies in the amount of \$18,391 as contractual (program) costs, and fringe benefits in the amount of \$380 as travel costs.	Agree

Deficiencies

No deficiencies were reported.

Compliance Findings

As part of obtaining reasonable assurance about whether the FAS is free from material misstatement, we performed tests of its compliance with certain provisions of the Agreement and other laws and regulations. Noncompliance with certain provisions of the Agreement and other laws and regulations could have a direct and material effect on the determination of FAS. The results of our tests disclosed the following instances of non-compliance.

Finding Number	Compliance Finding	Auditee's Concurrence
2013-5	Documentation was not provided to support that Mercy Corps and SCF conducted reviews of 16 and 99 vendors, respectively, in the Excluded Parties List System (EPLS) prior to entering into vendor contracts.	Disagree
2013-8	Foreign tax reports for the periods October 1, 2008 to September 30, 2009 and October 1, 2010 to September 30, 2011 were not provided.	Agree
2013-9	No evidence was provided to support whether Mercy Corps' property management system was approved by either the USAID Agreement Officer or Agreement Officer's Representative.	Agree

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

Summary of Mercy Corps Responses to Findings

The following represents a summary of the general management response provided by Mercy Corps to the audit report and its responses to each finding. The complete responses received can be found in Appendix A to this report.

- In Mercy Corps' general comments to the audit report, it indicated that SCF did not claim \$90,859 of indirect costs due to limitations in the Agreement. Mercy Corps is requesting that any indirect costs questioned be offset against these costs not claimed. Mercy Corps also documented its indirect cost rates by year.
- Finding 2013-1: Mercy Corps disagrees with this finding. It states that the FIRUP CFW guidelines only offer a framework to the various steps and parties in monitoring and implementing the CFW program and not all documentation that was missing should result in questioned costs. SCF indicated the original documentation, which was maintained in Afghanistan, was and is available for review.
- Finding 2013-2: Mercy Corps partially disagrees with this finding. It states that it is in compliance with OMB Circular A-133 as the timesheets were signed by the employees and the documented calculation of salary, wages and net pay was approved by a responsible party of the organization. Mercy Corps disagrees with the questioned costs due to missing employment agreements, as it believes there is other documentation that supports the amount agreed and paid to the employee, such as the offer letter or pay slip. Mercy Corps does accept the ineligible costs and questioned costs relating to missing timesheets. The missing timesheets and employment agreements for SCF have been located and are available for review.
- Finding 2013-3: Mercy Corps partially disagrees with this finding. The ticket change fee was approved by the traveler and the Country Director who had signed off on the Operational Expense Report that showed evidence of the tickets purchased and associated costs. For the Certification for a non-U.S. flight carrier, Mercy Corps states that there is not a requirement that this be approved. The travel in question was from Kabul to Dubai, and there is no U.S. Flag carrier that provides service between these destinations. The traveler had completed the Certification electronically and had attached it to his submitted Travel Approval form. Mercy Corps accepts the observation related to the journal entry that was not reviewed and approved. SCF stated that some of the documents were provided during audit, but there was insufficient time to address the auditors' questions prior to finalizing the audit. Additional documents have been located in Afghanistan and available for review.
- Finding 2013-4: Mercy Corps disagrees with this finding. It recognizes the importance of following its procurement policy in order to document compliance with the Procurement Standards in 22 CFR 226.40 through 22 CFR 226.49. While not all steps in the procurement process were documented according to its procurement manual, the procurements were done in

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

a manner to ensure open and free competition and to ensure reasonable and necessary costs to the program. The six transactions for SCF were under \$500, and it states a quotation and bid analysis is not required per its procurement policy.

- Finding 2013-5: Mercy Corps disagrees with this finding. Mercy Corps states that its and SCF's policies are in compliance with the applicable thresholds for the verification of debarment and suspension for transactions greater than or equal to \$25,000, and are in compliance with the applicable rules and list-checking was not required on these non-threshold transactions. Additionally, just 1 of the sampled transactions for SCF exceeded \$25,000.
- Finding 2013-6: Mercy Corps disagrees with this finding. It indicates that the subjournal voucher is not a control document related to the disbursement of cash, but rather serves as a coversheet for the supporting documentation for each transaction. The subjournal voucher summarizes the key financial information related to the transactions and provides a unique tracking number, linking a line entry in the accounting system with the original documentation that supports the transaction. The subjournal voucher is entered into a subjournal and uploaded monthly into the financial system. The subjournal is prepared and reviewed by separate individuals.
- Finding 2013-7: Mercy Corps agrees with this finding. It recognizes the importance of properly classifying expenses and will continue to reinforce its policies surrounding financial review of transactions. Mercy Corps states that there are rare instances of miscoding that weren't identified and corrected within the financial system.
- Finding 2013-8: Mercy Corps agrees with this finding. It plans to take additional care to ensure electronic filing of the submission of the Foreign Tax Reports. Mercy Corps will contact the Mission and determine if the required report has been filed. Mercy Corps states that no foreign taxes would have been reported under this Agreement.
- Finding 2013-9: Mercy Corps agrees with this finding. It plans to improve filing of such approvals for future awards. While Mercy Corps was not able to produce documentation evidencing Mission approval for this specific award, it states that its systems for property management do comply with the applicable requirements set out in the Standard Provision and in 22 CFR 226.30-37. Compliance with these standards is audited as part of its A-133 audit.

Review of Prior Findings and Recommendations

We reviewed the adequacy of the corrective actions taken to address findings and recommendations from previous engagements that could have a material effect on the FAS. Mercy Corps had audits of its expenditures of federal awards performed in accordance with the Single Audit Act each year from 2009 through 2012. One of USAID's programs was selected as a major program during each of these

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

For the Period March 10, 2009 to December 31, 2011

SUMMARY

audits. Of the 4 years of Single Audit Act audits performed, two findings were identified in 2010 that could have a material effect on the FAS. Based upon our review, adequate corrective action was taken on only one of the findings as described below.

- Physical Verification of Assets

Mercy Corps failed to perform a physical count of equipment acquired with federal funds and reconcile the inventory to its equipment records at least once every 24 months. In response to this finding, Mercy Corps revised its policies to require that a physical count of assets be performed annually. During our fieldwork, Mercy Corps provided us with supporting documentation evidencing that it has conducted a physical inventory of its assets on an annual basis and that it reconciled the results to its general ledger. As such, the corrective action has been adequately implemented.

- Subrecipient Monitoring

Mercy Corps did not establish and maintain internal control designed to monitor its subrecipient's use of federal awards. In response to this finding, Mercy Corps revised its policies and established a monitoring control for its subrecipients of federal funds. During our fieldwork, Mercy Corps provided us with documentation supporting that an annual site visit was performed on its subrecipients. Additionally, Mercy Corps requested, obtained and reviewed an OMB Circular A-133 report in accordance with the Single Audit Act from its subrecipients. However, during our testing of SCF, we noted similar weaknesses still exist as detailed in Finding 2013-1 in the Findings and Responses section of this report. As such, the corrective action has not been adequately implemented.



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INDEPENDENT AUDITORS' REPORT ON FUND ACCOUNTABILITY STATEMENT

We have audited the Fund Accountability Statement of Mercy Corps for Cooperative Agreement Number 306-A-00-09-00512-00 (Agreement) with the United States Agency for International Development (USAID) for the period March 10, 2009 through December 31, 2011. The Fund Accountability Statement is the responsibility of Mercy Corps' management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

We conducted our audit of the Fund Accountability Statement in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

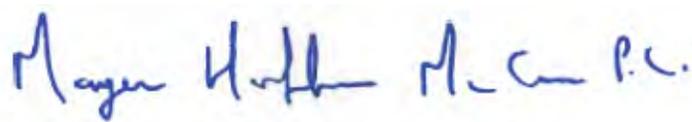
We identified several transactions totaling \$682,241 that were questionable based upon our review of the underlying support for the specified transactions. The ultimate determination of whether the identified questioned costs are to be accepted or disallowed rests with USAID.

In our opinion, except for the possible effects of the matter described in the preceding paragraph and the ultimate determination and resolution of the identified questioned costs, the Fund Accountability Statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and items and technical assistance directly procured by USAID for the indicated period in accordance with the terms of the Agreement and in conformity with the basis of accounting described in Note 2.

Board of Directors
Mercy Corps
45 S.W. Ankeny Street
Portland, Oregon 97204

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 4, 2013 on our consideration of Mercy Corps' internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this Independent's Auditor's Report in considering the results of our audit.

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

A handwritten signature in blue ink, appearing to read "Mayer Hoffman M.C.P.C.", is centered on the page.

Irvine, California
December 4, 2013

Mercy Corps

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Fund Accountability Statement

For the Period March 10, 2009 through December 31, 2011

	Budget	Actual	Questioned Costs			Notes
			Ineligible	Unsupported	Total	
Revenues:						
306-A-00-09-00512-00	\$ 69,237,804	\$ 69,099,844	\$ -	\$ -	\$ -	(3)
Total revenues	69,237,804	69,099,844	-	-	-	
Costs incurred:						
Personnel	6,734,791	6,015,911	1,853	19,905	21,758	(4)
Fringe benefits	2,641,057	2,008,374	175	4,545	4,720	(5)
Travel	392,330	370,127	-	80	80	(6)
Equipment	526,000	429,782	-	-	-	
Supplies	418,833	551,784	-	-	-	
Contractual (program)	30,942,081	32,517,525	-	13,825	13,825	(7)
Contractual (subgrant)	19,500,000	19,504,355	-	630,593	630,593	(8)
Other direct costs	2,709,170	2,252,440	-	5,421	5,421	(9)
Indirect costs	6,635,738	5,400,487	268	5,576	5,844	(10)
De-obligation	(1,262,196)	-	-	-	-	
Total costs incurred	69,237,804	69,050,785	2,296	679,945	682,241	
Outstanding fund balance	\$ -	\$ 49,059	(2,296)	\$ (679,945)	\$ (682,241)	(11)

See Notes to Fund Accountability Statement

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Notes to Fund Accountability Statement

For the Period March 10, 2009 to December 31, 2011

(1) Status and Operation

Mercy Corps (also referred to as “Company”) was founded in 1979 in the state of Washington as Save the Refugees Fund, and in 1982 formalized as Mercy Corps. The Company subsequently moved its headquarters to its current location in Portland, Oregon, but is incorporated as a nonprofit organization under the laws of the state of Washington. Since 1979, Mercy Corps has provided relief and development assistance in the form of food, shelter, health care, agriculture, water and sanitation, education and small business loans to countries around the world.

On March 10, 2009, USAID awarded Cooperative Agreement No. 306-A-00-09-00512-00 (Agreement) to Mercy Corps, in partnership with SCF. The initial award was in the amount of \$10,500,000 with a period of performance from March 10, 2009 through November 5, 2009. Of the initial award, \$2,000,000 was subawarded to SCF. The purpose of the Agreement was to provide support for the Community Development Program (formerly the FIRUP Program) in four key provinces in northern Afghanistan. Specifically, the Agreement was to provide CFW wages for 30,000 local participants in the Afghan cities and suburbs of Mazar-e-Sharif, Kunduz, Pul-e-Khumri, and Bamyan. The Agreement was modified 13 times, increased the award to \$69,237,804, extended the period of performance through December 31, 2011 and increased the number of provinces included in the scope by adding Balkh, Baghlan, Fariyab, Kapisa, Parwan, Samangan, and Sar e Pul. Of the total obligated amount, \$19,500,000 was subawarded to SCF.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Fund Accountability Statement reflects the revenues received and expenses incurred under the Agreement. It has been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

(b) Foreign Currency Conversion Method

Mercy Corps converts its expenses that were paid in local currency (Afghanis) into reporting currency (U.S. Dollar) by applying an average monthly rate based upon the bank rates used to transfer funds between U.S. dollar account and Afghanis account.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Notes to Fund Accountability Statement

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(c) Questioned Costs

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are deemed to not be allowable in accordance with the terms of the Agreement or applicable laws and regulations, including Office of Management and Budget (OMB) Circular A-122 and 22 CFR Part 226. Unsupported costs are those costs for which no or inadequate supporting documentation was provided for our review.

(3) Revenues

As of December 31, 2011, Mercy Corps has received \$69,097,560 in payments from USAID under the Agreement plus earned interest in the amount of \$2,284, which represent total program revenue of \$69,099,844. For the period of March 10, 2009 through December 31, 2011, the Company has invoiced \$69,050,785 to USAID. The balance of \$49,059 represents an amount due to USAID (see Note 11).

(4) Personnel

Mercy Corps reported personnel costs in the amount of \$6,015,911 for the period March 10, 2009 through December 31, 2011. Ineligible and unsupported personnel costs consisted of the following. See Finding 2013-2 in the Findings and Responses section of this report. Also, see Notes 5 and 10 for details of the associated fringe benefits and indirect costs, respectively.

<u>Observation</u>	<u>No. of Errors</u>	<u>Questioned Cost</u>
Ineligible costs:		
Salary claimed at 100% when employee worked only 50% on the program	1	\$ 1,762
Per diem allowance claimed for an employee that did not work on the program	<u>2</u>	<u>91</u>
Total ineligible personnel costs	<u>3</u>	<u>1,853</u>
Unsupported costs:		
Missing employee timesheets	33	\$11,388
Missing employment agreement	2	836
Missing supervisor approval of timesheet	<u>7</u>	<u>7,681</u>
Total unsupported personnel costs	<u>42</u>	<u>19,905</u>
Total questioned personnel costs	<u>45</u>	<u>\$21,758</u>

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Notes to Fund Accountability Statement

(Continued)

(5) Fringe Benefits

Mercy Corps reported fringe benefits in the amount of \$2,008,374 for the period March 10, 2009 through December 31, 2011, which represents approximately 33% of personnel costs. The Company did not have an approved fringe benefit rate. Instead, it claimed actual fringe benefits directly incurred under the Agreement. Total ineligible and unsupported fringe benefit costs consisted of the following. See Finding 2013-2 in the Findings and Responses section of this report. Also, see Note 10 for details related to the associated indirect costs.

<u>Observation</u>	<u>Questioned Cost</u>	<u>Associated Fringe Benefits</u>
Ineligible costs:		
Salary claimed at 100% when employee worked only 50% on the program	\$ 1,762	\$ 175
Per diem allowance claimed for an employee that did not work on the program	<u>91</u>	<u>-</u>
Total ineligible fringe benefit costs	<u>1,853</u>	<u>175</u>
Unsupported costs:		
Missing employee timesheets	\$11,388	2,644
Missing employment agreement	836	62
Missing supervisor approval of timesheet	<u>7,681</u>	<u>1,840</u>
Total unsupported fringe benefit costs	<u>19,905</u>	<u>4,545</u>
Total questioned fringe benefit costs	<u>\$21,758</u>	<u>\$4,720</u>

(6) Travel

Mercy Corps reported travel costs in the amount of \$370,127 for the period March 10, 2009 through December 31, 2011. Insufficient documentation was provided for 1 sampled transaction as follows. See Finding 2013-3 in the Findings and Responses section of this report. Also, see Note 10 for details related to the associated indirect costs.

<u>Observation</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Lack of approval for flight change fee	<u>1</u>	<u>\$80</u>
Total questioned travel costs	<u>1</u>	<u>\$80</u>

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Notes to Fund Accountability Statement

(Continued)

(7) Contractual (Program)

Mercy Corps reported contractual (program) costs in the amount of \$32,517,525 for the period March 10, 2009 through December 31, 2011 as follows:

CFW program	\$21,095,305
Other program costs	<u>11,422,220</u>
 Total contractual (program) costs	 <u>\$32,517,525</u>

The following observations were noted during testing of contractual (program) costs, which resulted in questioned costs of \$13,831. See Findings 2013-1 and 2013-4 in the Findings and Responses section of this report. Also, see Note 10 for details related to the associated indirect costs.

<u>Observation</u>	<u>Total Number of Transactions with Errors</u>	<u>Amount</u>
Results of CFW transaction testing noted numerous errors including: incomplete project reports; missing or illegible CFW fingerprints or signatures, or the same individual's fingerprint was on different documents; Participant/Tools and Equipment Distribution List (PEDL) was missing or not approved; a photograph of the workgroup was not taken at the beginning of the project; incorrect wage rate was paid to CFW laborers; and no approvals of timesheets for CFW laborers	42	\$11,511
Missing procurement documentation	<u>1</u>	<u>2,314</u>
 Total questioned contractual (program) costs)	 <u>43</u>	 <u>\$13,825</u>

(8) Contractual (Subgrant)

Mercy Corps reported contractual (subgrant) costs in the amount of \$19,504,355 for the period March 10, 2009 through December 31, 2011. All costs reported under this cost category were incurred by SCF. SCF claimed actual fringe benefits incurred and applied an approved final negotiated general and administrative (G&A) rate to its costs. The approved G&A rates were as follows:

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Notes to Fund Accountability Statement

(Continued)

(8) Contractual (Subgrant) (Continued)

<u>Year Ended December 31</u>	<u>Approved G&A Rate</u>
2009	18.92%
2010	15.92%
2011	20.75%

Questioned costs associated with the contractual (subgrant) cost category were primarily attributable to missing documentation as follows. See the specific finding number for details related to the observation noted.

<u>Finding Number</u>	<u>Observation</u>	<u>Questioned Cost</u>
2013-1	Lack of complete documentation to support CFW program costs	\$356,495
2013-2	Unsupported personnel and fringe benefit costs	233,135
2013-3	Unsupported travel costs	39,288
2013-4	Lack of adherence to procurement procedures	<u>1,675</u>
Total questioned contractual (subgrant) costs		<u>\$630,593</u>

(9) Other Direct Costs

Mercy Corps reported other direct costs in the amount of \$2,252,440 for the period March 10, 2009 through December 31, 2011. Questioned costs consisted of the following. See the specific finding number for details related to the observation noted. Also, see Note 10 for details related to the associated indirect costs.

<u>Finding Number</u>	<u>Observation</u>	<u>Questioned Cost</u>
2013-3	Journal entry not reviewed and approved	\$3,101
2013-4	Lack of adherence to procurement procedures	<u>2,320</u>
Total questioned other direct costs		<u>\$5,421</u>

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Notes to Fund Accountability Statement

(Continued)

(10) Indirect Costs

Mercy Corps reported indirect costs in the amount of \$5,400,487 for the period March 10, 2009 through December 31, 2011. These indirect costs are not included as a separate line item on the FAS, but are included as a component of each of the cost categories presented. The Company has an approved indirect cost rate for overhead. The negotiated final overhead rates for the period under audit were:

<u>Year Ended June 30</u>	<u>Approved Overhead Rate</u>
2009	13.24%
2010	10.30%
2011	11.77%
2012	15.73%

The overhead rate is applied to total direct costs, excluding capital expenditures (valued at over \$5,000 or more per unit), donated material, donated commodities and expenses funded from the Ocean Freight, Inland Transportation and ITSH funding sources related to USAID Title II Food for Peace programs, loan principal costs, and sub-award costs in excess of \$100,000 per sub-award per year.

The appropriate overhead rate for each year was applied to the individual costs questioned. A summary of associated questioned indirect costs by cost category is as follows.

<u>Cost Category</u>	<u>Questioned Cost</u>	<u>Associated Questioned Indirect Cost</u>
Personnel (Note 4)	\$26,478	\$3,306
Travel (Note 6)	80	10
Contractual (program) (Note 7)	13,825	1,832
Other direct costs (Note 9)	5,421	<u>696</u>
 Total questioned indirect costs		 <u>\$5,844</u>

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Notes to Fund Accountability Statement

(Continued)

(11) **Outstanding Fund Balance**

As of December 31, 2011, there was an outstanding amount due to USAID in the amount of \$49,059, which represents amounts received from USAID in excess of costs incurred. Mercy Corps filed the final Federal Financial Report (SR425) with USAID in August 2013. With this final report, the total costs incurred changed due to the finalization of the program since the initial filing on July 25, 2012. USAID subsequently granted permission for Mercy Corps to use the excess funds received for approved costs of other USAID programs.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

We have audited the Fund Accountability Statement of Mercy Corps with respect to Cooperative Agreement Number 306-A-00-09-00512-00 (Agreement) with the United States Agency for International Development (USAID) for the period March 10, 2009 through December 31, 2011, and have issued our report thereon dated December 4, 2013. 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.

Management of Mercy Corps is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mercy Corps' internal control over financial reporting, with respect to the Agreement, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement, but not for the purpose of expressing an opinion on the effectiveness of Mercy Corps' internal control over financial reporting with respect to the Agreement. Accordingly, we do not express an opinion on the effectiveness of Mercy Corps' internal control over financial reporting with respect to the Agreement.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying Findings and Responses as items 2013-1 and 2013-2 to be material weaknesses.

Board of Directors
Mercy Corps
45 S.W. Ankeny Street
Portland, Oregon 97204

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. We consider the deficiencies described in the accompanying Findings and Responses as items 2013-3, 2013-4, 2013-6 and 2013-7 to be significant deficiencies.

Mercy Corps' response to the findings identified in our audit is described in the accompanying Findings and Responses. We did not audit Mercy Corps' response and, accordingly, we express no opinion on it.

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

A handwritten signature in blue ink, appearing to read "Mayer Hoffman M. C. R. C.", is centered on the page.

Irvine, California
December 4, 2013



Mayer Hoffman McCann P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

We have audited the Fund Accountability Statement of Mercy Corps with respect to Cooperative Agreement Number 306-A-00-09-00512-00 (Agreement) with the United States Agency for International Development (USAID) for the period March 10, 2009 through December 31, 2011, and have issued our report thereon dated December 4, 2013. 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

As part of obtaining reasonable assurance about whether Mercy Corps' Fund Accountability Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Fund Accountability 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Findings and Responses as items 2013-5, 2013-8, and 2013-9.

Mercy Corps' response to the findings identified in our audit is described in the accompanying Findings and Responses. We did not audit Mercy Corps' response and, accordingly, we express no opinion on it.

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

A handwritten signature in blue ink that reads "Mayer Hoffman McCann P.C." in a cursive script.

Irvine, California
December 4, 2013

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

For the Period March 10, 2009 to December 31, 2011

2013-1: Lack of Complete Documentation to Support Cash-for-Work Programs

Condition:

Within the CFW Program, a total of 113 transactions, consisting of 59 program transactions totaling \$59,347 and 54 subgrant transactions totaling \$312,670, were statistically selected for testing. A summary of the observations noted is as follows.

<u>Observation</u>	<u>Total Number of Transactions with Errors</u>	<u>Amount</u>
Contractual (program): Results of CFW transaction testing noted numerous errors including: incomplete project reports; missing or illegible CFW fingerprints or signatures, or the same individual's fingerprint was on different documents; Participant/Tools and Equipment Distribution List (PEDL) was missing or not approved; a photograph of the workgroup was not taken at the beginning of the project; incorrect wage rate was paid to CFW laborers; and no approvals of timesheets for CFW laborers	42	\$ 11,511
Contractual (subgrant): Results of CFW transaction testing noted numerous errors including: missing project reports; missing or illegible CFW fingerprints or signatures, or the Payment Summary Report was missing or lacked approvals; Material/Refuse Tracking Form was missing; the village or location was not identified in the supporting documentation; and a photograph of the workgroup was not taken at the beginning and/or at the completion of the project	54	312,266
Total questioned CFW costs due to lack of adequate supporting documentation	96	\$323,777

Details of the individual observations noted can be found in Appendix B to this report.

Cause:

Mercy Corps did not properly monitor its field team members or its subrecipient to ensure they were following the requirements of the FIRUP¹ CFW Guide when documenting the CFW program to ensure that all costs incurred were allowable, allocable and reasonable.

¹ The Food Insecurity Response for Urban Populations (FIRUP) Program is now known as the Community Development Program (CDP). The Guide, however, still uses the FIRUP Program name and is entitled the *FIRUP Cash for Work – Step-by-Step Guide to Program Implementation*.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-1: Lack of Complete Documentation to Support Cash-for-Work Programs (Continued)

Criteria:

Mercy Corps developed a step-by-step guide for the implementation of the CDP CFW Program. The *FIRUP Cash For Work – Step-by-Step Guide to Program Implementation* (FIRUP Guide) provides detailed instructions as to project identification, proposal review, project development and approval, and project implementation. Each of the steps in the FIRUP Guide contain details as to the who, what, why, when and how for each component of the CFW Program. The detailed steps identify specific positions required to make approvals and specific reports that are required to be generated as outputs. If the steps in the FIRUP Guide are followed completely, then costs incurred will be deemed reasonable, allowable and allocable to the CDP. If the Guide is not followed, then the reasonableness, allowability and allocability of the costs can be uncertain.

FIRUP Cash for Work – Step-by-Step Guide to Program Implementation, states, in part:

“Output 1: CfW04 – Participant / Tools and Equipment Distribution List (PEDL)...

- *Area Supervisor* is responsible for ensuring that each Site Supervisor properly maintains the PEDL throughout the project adding any new CfW participants.
- *CfW Coordinator* reviews and approves the PEDL at the end of the project and sends it to the Project Assistant...

What: On the first day of project implementation the Site Supervisor records names of each participant and the equipment they have been issued as well as demographic data. Area Supervisor takes a photo of the work group....

Output 2: CfW05 – Weekly Timesheet and CfW06 Payment Summary Form...

- *Program Manager* reviews and approves the Payment Summary Forms...and submits them to the Finance Officer.
- *Finance* reviews all Timesheets and Payment Summary Form for each Area Supervisor and signs Timesheets and Payment Summary Form....

What: Each timesheet will indicate both morning and afternoon participation. It will also track: total days worked; total wages to be received; as well as signature (or thumbprint) indicating agreement with amount to be paid...

Output 3: CfW07 – Materials / Refuse Tracking Form...

What: Each Form will track the distribution of materials from waybill (or other delivery form) to the project site....”

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-1: Lack of Complete Documentation to Support Cash-for-Work Programs (Continued)

“Output 4: CfW08 – Daily Field Report...”

What: A review of the day’s activities and a documentation of issues that need to be addressed per project...

Output 5: CfW09 – Weekly Project Summary...

What: A weekly report summarizing each project that captures participant data, project status and cumulative project progress as well as any issues encountered and actions taken...

Output 6: CfW010 – Monthly Program Summary...

What: A monthly report summarizing progress against indicators and any issues encountered, actions taken and lessons learned...

Output 7: CfW11 – Project Completion Report...

What: The final document indicating that a project is complete and documents important quantitative data and other reporting information including lessons learned. Also records what involvement, if any, the government had in the project for management purposes...”

In addition to the FIRUP Guide which documents the policies and procedures for Mercy Corps to administer the CFW Program, Mercy Corps’ subrecipient, SCF, has its own policies and procedures to which it follows, in addition to the FIRUP Guide.

SCF’s Cash Wages Distribution Policy and Procedures – Save the Children, Community Development Program, states, in part;

“Monitoring of Time Sheet:

- Every working day a group leader checks the time sheets in the presence of the participants who have signed the timesheets.
- During the implementation of the project SCI staff Area Supervisor checks the time sheet in the presence of the participants in the project sites. Also the Engineers, Community Mobilizers and other staff spot check the timesheets during the monitoring visits.
- After each 06 working days of the project duration Area Supervisors check, collect and sign-off the time sheets from the project sites and send them to the office for payment of wages.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-1: Lack of Complete Documentation to Support Cash-for-Work Programs (Continued)

“Preparation of Payment:

- SCI Finance team check working hours, signatures by the participants, signatures for review by the group leader and area supervisor. They then use the timesheets calculate wages based on work hours and counter checked against project agreement as regards names and rates. They then prepare the Summary Payment for the project site;
- After preparation of the Summary payment it is approved by the Project Manager or designated staff....”

Effect:

Incomplete or missing project and other required reports, lack of photographs evidencing the work groups and work that was performed, lack of disclosure of villages or locations where work was performed, paying incorrect rates to laborers, and missing, illegible or inconsistent fingerprints does not allow Mercy Corps to ensure that individual laborers actually worked or that projects were actually completed. Given that all payments are made in cash, the risk of misappropriated funds is elevated and the requirement to completely document the program as outlined in the FIRUP CFW Guide is critical to support that funds were used for their intended purpose. Total questioned costs as a result of the test exceptions are as follows:

<u>Cost Category</u>	<u>Questioned Cost</u>	<u>Associated Indirect Cost</u>	<u>Total Questioned Cost</u>
Contractual (program)	\$ 11,511	\$ 1,468	\$ 12,979
Contractual (subgrant)	<u>312,266</u>	<u>44,229</u>	<u>356,495</u>
Total questioned costs	<u>\$323,777</u>	<u>\$45,697</u>	<u>\$369,474</u>

The sampled costs were statistically selected. Had the results of our testing been extrapolated to the population of each of the affected cost categories, the total questioned costs related to a lack of complete documentation to support the CFW program would have been \$4,091,657 and \$8,730,556 for the Contractual (program) and Contractual (subgrant) cost categories, respectively. However, in the recommendation below, we are taking the conservative approach by not projecting the results to the population, but asking Mercy Corps to take action on the actual questioned costs identified in the sample.”

Recommendation:

We recommend that Mercy Corps either provide the necessary CFW documentation to USAID or return \$369,474 representing a lack of complete documentation to support the CFW program.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-2: Personnel Costs Claimed for Non-Program Personnel and Missing Documentation

Condition:

Mercy Corps claimed personnel costs for employees that either did not work in the CDP Program, or worked partially in the CDP Program. Additionally, various records requested to support personnel and personnel-related costs were either not provided, illegible or those records that were provided did not completely support the costs claimed. The schedule below identifies the number of errors and associated questioned costs.

<u>Observation</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Personnel:		
Ineligible costs:		
Salary claimed at 100% when employee worked only 50% on the program	1	\$ 1,762
Per diem allowance claimed for an employee that did not work on the program	<u>2</u>	<u>91</u>
Total ineligible personnel costs	<u>3</u>	<u>1,853</u>
Unsupported costs:		
Missing employee timesheets	33	11,388
Missing employment agreement	2	836
Missing supervisor approval of timesheet	<u>7</u>	<u>7,681</u>
Total unsupported personnel costs	<u>42</u>	<u>19,905</u>
Total questioned personnel costs	<u>45</u>	<u>21,758</u>
Contractual (subgrant):		
Salary:		
Payroll distribution reports, cash disbursement vouchers, and overtime authorization forms provided were illegible	2	27,466
Support provided does not agree with or support the sample selected	4	33,390
No supporting documentation provided	1	13,261
Missing employment agreements	3	65,553
Missing employment agreements and timesheets	<u>4</u>	<u>23,138</u>
Total questioned salary	<u>14</u>	<u>162,808</u>

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-2: Personnel Costs Claimed for Non-Program Personnel and Missing Documentation (Continued)

<u>Observation</u>	<u>Number of Errors</u>	<u>Questioned Cost</u>
Contractual (subgrant) (continued):		
Direct fringe benefits:		
Missing employment agreements and timesheets	6	\$ 1,962
Support provided does not agree with or support the sample selected	1	722
Illegible support provided	1	265
No timesheet and payroll register were provided	<u>1</u>	<u>2,309</u>
Total questioned direct fringe benefits costs	<u>9</u>	<u>5,258</u>
Total questioned contractual (subgrant) costs	<u>23</u>	<u>168,066</u>
Total questioned costs	<u>68</u>	<u>\$189,824</u>

These questioned costs have been classified as follows:

Ineligible costs	\$ 1,853
Unsupported costs	<u>187,971</u>
Total questioned costs	<u>\$189,824</u>

In addition, Mercy Corps employees are paid based upon a pay scale and grade matrix. The exact pay grade for each employee was not reflected on any of the payroll records or in the personnel files. As such, we were unable to determine whether the rates actually paid were in accordance with the pay grade assigned. No costs were questioned as compensating controls existed in the form of management review and approval of payroll registers.

Cause:

Mercy Corps claiming personnel costs for employees that either did not work on the CDP Program or that worked partially on the Program occurred due to clerical error in coding the hours worked during the early stages of implementing the Program in Afghanistan. Once the Program was established, these errors no longer occurred. The missing and insufficient documentation, which consisted primary of timesheets, was due to an ineffective record filing and retention policy.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-2: Personnel Costs Claimed for Non-Program Personnel and Missing Documentation (Continued)

Criteria:

All costs claimed under the Agreement as personnel costs must be supported by timesheets and approved by a supervisor as required by OMB Circular A-122, Attachment B, Paragraph 8, *Compensation for personal services*, which states, in part:

“...m. Support of salaries and wages.

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports...”

Additionally, Mercy Corps Field Administration Manual, Section 2, *Compensation*, Paragraph 2.3.6, *Personnel Activity Reports (Timesheets)*, states, in part:

“Each staff must complete a Personnel Activity Report (commonly referred to as a timesheet) each month demonstrating hours worked each day with a correlating cost center...”

Personnel Activity Reports (timesheets) are completed throughout the month and given to supervisors for review and approval on the last working day of the month...”

As to the lack of records available for review, 22 CFR 226.53, *Retention and access requirement for records*, states, in part:

“...(b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by USAID...”

Additionally, OMB Circular A-122, Attachment A, Paragraph A, *Basic Considerations*, states, in part:

“...2. Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:..

g. Be adequately documented....”

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-2: Personnel Costs Claimed for Non-Program Personnel and Missing Documentation (Continued)

Furthermore, Mercy Corps Field Finance Manual, Section 17.2.3, *Safeguarding Records*, states, in part;

“Records serve as basic evidence that a transaction took place and that Mercy Corps and donor policies were followed. Missing or inadequate records can result in audit findings and costly disallowances, as well as a loss of trust from donors. Field offices must therefore take care to ensure that financial records are safeguarded from loss or misuse...”

Effect:

Failure to maintain adequate supporting documentation resulted in an inability to demonstrate that costs incurred were allowable, allocable and related to the Agreement. A lack of adequate management review over the coding of expenses to ensure the proper program has been charged raises concern over the cost accounting system. Total questioned costs, including associated indirect costs, are as follows:

<u>Cost Category</u>	<u>Questioned Cost</u>	<u>Associated Fringe</u>	<u>Associated Indirect Cost</u>	<u>Total Questioned Cost</u>
Personnel – ineligible	\$ 1,853	\$ 175	\$ 268	\$ 2,296
Personnel – unsupported	19,905	4,545	3,038	27,488
Contractual (subgrant)	<u>168,066</u>	<u>34,156</u>	<u>30,913</u>	<u>233,135</u>
Total questioned costs	<u>\$189,824</u>	<u>\$38,876</u>	<u>\$34,219</u>	<u>\$262,919</u>

Recommendation:

- (1) We recommend that Mercy Corps either provide an explanation including supporting documentation to clarify as to how the ineligible costs are allowable, or return \$2,296 for the ineligible personnel costs.
- (2) We recommend that Mercy Corps either provide the missing documentation or return \$260,623 for unsupported personnel costs.
- (3) We recommend that Mercy Corps provide training to its staff on safeguarding records and records retention as outlined in the CFR, OMB A-122 and its own Field Finance Manual.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-3: Missing or Insufficient Source Documentation to Support Expenses

Condition:

Mercy Corps was unable to provide records, or provided insufficient records, to support transactions selected for testing within the Travel, Contractual (Subgrant) and Other Direct Costs cost categories. Specifically, the following observations were noted:

<u>Observation</u>	<u>Number of Transactions With Errors</u>	<u>Amount</u>
Travel:		
Lack of prior approval for flight change fee	1	\$ <u>80</u>
Subtotal travel	<u>1</u>	<u>80</u>
Contractual (subgrant):		
Amount incorrectly calculated on the Goods Received Note, the Store Receipt and the Issue/Purchase Request Form	1	5
Cash Disbursement Voucher not signed by preparer or reviewer	1	320
Invoices, purchase orders and receiving reports provided were ineligible	2	4,615
No payment voucher and cancelled check provided	1	366
No receipt for travel expense provided	1	120
Missing travel authorization request	5	757
No invoice provided	2	227
No purpose of trip on Travel Authorization Request	1	400
No support provided	14	24,058
No Travel Authorization Request provided and expense report was not approved	1	96
Trip cancellation fee charged to the Agreement	1	40
Only partial invoices provided	<u>8</u>	<u>2,476</u>
Subtotal contractual (subgrant)	<u>38</u>	<u>33,480</u>
Other direct costs:		
Journal entry was not reviewed and approved	<u>1</u>	<u>3,101</u>
Subtotal other direct costs	<u>1</u>	<u>3,101</u>
Total costs for which missing or insufficient support was provided	<u>40</u>	<u>\$36,661</u>

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-3: Missing or Insufficient Source Documentation to Support Expenses (Continued)

Cause:

The majority of the missing documentation was the responsibility of SCF. SCF stated that they had 11 audits going on this year, and during the course of refiling documents, the support had been either misfiled or misplaced.

Criteria:

22 CFR 226.53, *Retention and access requirement for records*, states, in part:

“...(b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by USAID...”

Additionally, OMB Circular A-122, Attachment A, Paragraph A, *Basic Considerations*, states, in part:

“...2. Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:..

g. Be adequately documented....”

Furthermore, Mercy Corps Field Finance Manual, Section 17.2.3, *Safeguarding Records*, states, in part;

“Records serve as basic evidence that a transaction took place and that Mercy Corps and donor policies were followed. Missing or inadequate records can result in audit findings and costly disallowances, as well as a loss of trust from donors. Field offices must therefore take care to ensure that financial records are safeguarded from loss or misuse...”

Additionally, Mercy Corps Field Finance Manual, Section 6.3.1.5, *Fly America Act*, states, in part;

“All work-related travel by Mercy Corps employees must be approved in advance by the traveler’s supervisor before travel arrangements are made. International travel should be approved by the Country Director in addition to the employee’s supervisor.”

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-3: Missing or Insufficient Source Documentation to Support Expenses (Continued)

Effect:

Failure to maintain adequate supporting documentation resulted in an inability to demonstrate that costs incurred were allowable, allocable and related to the Agreement. Total questioned costs, including associated indirect costs, are as follows:

<u>Cost Category</u>	<u>Questioned Cost</u>	<u>Associated Indirect Cost</u>	<u>Total Questioned Cost</u>
Travel	\$ 80	\$ 10	\$ 90
Contractual (subgrant)	33,480	5,808	39,288
Other direct costs	<u>3,101</u>	<u>365</u>	<u>3,466</u>
Total questioned costs	<u>\$36,661</u>	<u>\$6,183</u>	<u>\$42,844</u>

Recommendation:

We recommend that Mercy Corps either provide adequate documentation to USAID or return \$42,884 for costs which were inadequately supported. (Note – No recommendation is made to correct the cause in this Finding as implementing Recommendation 3 in Finding 2013-2 addresses the issue.)

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-4: Lack of Adherence to Procurement Procedures

Condition:

Mercy Corps was unable to provide records, or provided insufficient records, to support the procurement efforts as follows:

<u>Cost Category</u>	<u>Observation</u>	<u>Number of Transactions with Errors</u>	<u>Amount</u>
Contractual (program)	Missing approval on bid analysis	1	\$2,314
Contractual (subgrant)	Missing quotation and/or bid analysis	6	1,425
Other direct costs	Missing procurement documentation	<u>2</u>	<u>2,320</u>
Total costs for which procurement procedures were not followed		<u>9</u>	<u>\$6,059</u>

Cause:

Mercy Corps did not effectively oversee its procurement processes to ensure its established procedures were followed, and the documentation supporting the procurement process was not maintained as required. Additionally, the majority of the missing documentation was the responsibility of SCF. SCF stated that they had 11 audits going on this year, and during the course of refiling documents, the support had been either misfiled or misplaced.

Criteria:

22 CFR 226.43, *Competition*, states, in part:

“All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition...Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality and other factors considered...”

Additionally, 22 CFR 226.46, *Procurement records*, states:

“Procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum:

- (a) Basis for contractor selection,
- (b) Justification for lack of competition when competitive bids or offers are not obtained,

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-4: Lack of Adherence to Procurement Procedures (Continued)

“and

(c) Basis for award cost or price.”

Mercy Corps Field Procurement Manual, Section 6.5, *Documenting the procurement of goods*, states:

“All procurement activities must be fully and transparently documented. This is the sole process used by Mercy Corps to manage its procurement processes and demonstrate to donors that funds are being responsibly committed. A completed purchase must be supported with a fully cross-referenced “stand alone” file. Documentation must be completed fully and accurately in every case. Any anomalies or deviation from policy or procedure in a purchase must be documented with a signed (at minimum, by the Procurement Manager) explanatory “note to the file”. Full supporting documentation must answer any question that an auditor or external examiner may pose, without the necessity to refer to Procurement or Finance staff for explanation.”

Additionally, Mercy Corps Field Procurement Manual, Section 6.5.1.5, *Quotation Analysis*, states:

“Purpose:

The Quotation Analysis is the document used to summarize and compare supplier offers. It also documents and details justification of the selection of a given supplier.

Completed by the Procurement Manager.

Approved by the Quotation Analysis Committee. It is composed by officers from the Procurement Department, The Manager of the Originator’s Program and an approval authority; depending on the value of the purchase this can be a Senior Program Manager, the Head of Office or the Country Director...”

The Save the Children International Afghanistan Procurement Guidelines, states, in part:

“...5. Threshold values: The table below sets out the procedures that need to be applied relative to the financial value or thresholds when carrying out a single purchase, procurement contract (see definition) or framework agreement...”

1 quote (verbal, written, catalogue)

\$0 – 500”

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-4: Lack of Adherence to Procurement Procedures (Continued)

Effect:

Lack of support and adherence to procurement procedures does not allow Mercy Corps to demonstrate that USAID funds were used for intended purposes, or that goods and services were actually received or procured at a reasonable cost. Total questioned costs, including associated indirect costs, are as follows:

<u>Cost Category</u>	<u>Questioned Cost</u>	<u>Associated Indirect Cost</u>	<u>Total Questioned Cost</u>
Contractual (program)	\$2,314	\$364	\$2,678
Contractual (subgrant)	1,425	250	1,675
Other direct costs	<u>2,320</u>	<u>331</u>	<u>2,651</u>
Total questioned costs	<u>\$6,059</u>	<u>\$945</u>	<u>\$7,004</u>

Recommendation:

- (1) We recommend that Mercy Corps either provide adequate documentation to USAID or return \$7,004 for costs in which there was a demonstrated lack of adherence to procurement procedures.
- (2) We recommend that Mercy Corps establish procedures to ensure that all procurement files contain documentation as required by the CFR and its own Field Procurement Manual.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-5: Need to Review the Excluded Parties List

Condition:

No documentation was provided to support that Mercy Corps and SCF conducted reviews of 16 and 99 vendors, respectively, in the Excluded Parties List System (EPLS) prior to entering into vendor contracts to verify that the vendors were not suspended, debarred or otherwise excluded from receiving Federal funds.

Cause:

Mercy Corps has established an internal policy whereby it does not review the EPLS for purchases of goods or services from vendors when the cost is less than \$5,000. Additionally, Mercy Corps' subrecipient, SCF, only reviews the EPLS for purchases of goods or services from vendors when the cost is greater than \$25,000. Both Mercy Corps and SCF were of the opinion that a threshold could be set for performing the search based on reasonableness of dollar amount.

Criteria:

Cooperative Agreement No. 306-A-00-09-00512-00, Attachment C, Section C.10, *Debarment, Suspension, and Other Responsibility Matters Responsibility*, states in part:

“...b. The recipient agrees that, unless authorized by the Agreement Officer, it will not knowingly enter into any subagreements or contracts under this grant with a person or entity that is included on the Excluded Parties List System (<http://epls.arnet.gov>)...”

This criteria requires that Mercy Corps not do business with excluded parties. As such, Mercy Corps must review the excluded parties list prior to entering into any contracts and document evidence of this review in order to demonstrate it has complied with the criteria.

Effect:

By not checking the EPLS for vendors excluded from Federal procurement and nonprocurement programs, Federal funds might be paid to a vendor that is debarred, suspended, or otherwise prohibited from receiving Federal funds. None of the vendors were determined to be on the excluded parties list and therefore no costs were questioned in this finding.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-5: Need to Review the Excluded Parties List (Continued)

Recommendation:

- (1) We recommend that Mercy Corps establish procedures to ensure it and its subrecipients review all vendors to ensure they do not appear as an excluded party on the System for Award Management (SAM), which has since replaced the EPLS, prior to entering into a contract for goods and/or services, and then periodically throughout the period of performance.
- (2) We recommend that Mercy Corps revise and ensure its subrecipients revise its existing policies by removing the thresholds for searching for an excluded party in order to be in compliance with the CFR and the Agreement.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-6: Lack of Segregation of Duties within Cash Disbursement Process

Condition:

There is a lack of segregation of duties within the cash disbursement process. The same individual prepared, reviewed and entered the following Subjournal Vouchers into the Subjournal. Additionally, no documentation was provided to support that an independent review was performed on the Subjournal.

<u>Sample No.</u>	<u>Cost Category</u>	<u>Amount</u>
29	Other direct costs	\$1,079
32	Contractual (program)	22
33	Contractual (program)	316
56	Travel	33
58	Travel	21
59	Travel	11

Cause:

Mercy Corps indicated that the same individual could perform all functions as compensating controls existed in the review of the Subjournal by a separate individual.

Criteria:

Mercy Corps Field Finance Manual, Section 2, *Internal Controls*, Paragraph 2.3, *Basic Internal Controls*, states, in part:

1. Segregation of duties – Responsibilities in a process should be separated and delegated to several employees rather than entrusted to one employee, with the goal of providing a system of checks and balances to prevent errors or dishonest behavior...
2. Signature requirements – By requiring signatures, unauthorized transactions are prevented and accountability is established...
5. Dual controls – Double-checks or reviews should be performed to ensure that critical decisions, high-value transactions or external reports are substantially correct..."

Effect:

Since the Subjournal Voucher is the initial document that supports and captures all aspects of a transaction, a lack of segregation of duties and independent review could result in items coded incorrectly or unauthorized transactions processed. No costs were questioned as the sampled items were properly supported, allowable and allocable to the Agreement.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-6: Lack of Segregation of Duties within Cash Disbursement Process (Continued)

Recommendation:

We recommend that Mercy Corps review its cash disbursement process to ensure there are adequate segregation of duties, that all Subjournal Vouchers are reviewed by an individual other than the preparer, and that this review be documented.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-7: Misclassified Expenses

Condition:

The following misclassified expenses were noted:

- Supplies in the amount of \$18,391 were miscoded as contractual (program) costs; and
- Fringe benefits related to relocation in the amount of \$380 was miscoded as travel costs.

Cause:

This condition occurred due to a lack of adequate management oversight over the recording and posting of transactions.

Criteria:

Mercy Corps Field Finance Manual, Section 2, *Internal Controls*, Paragraph 2.5.2, *Responsibilities of Approval and Review Authorities*, states, in part:

“...Financial review is a compliance check...By signing for financial review, the review is confirming that:

1. the expense has been authorized according to the Approval Authority Matrix;
2. the expenditure is within budget guidelines;
3. the expenditure is in compliance with Mercy Corps and donor policies;
4. the expense has been coded correctly;
5. the calculations are correct;
6. the required supporting documentation is in order and adequately explains the transaction...”

Effect:

The inaccurate classification of expenses can result in the inaccurate reporting of costs by cost category, which can undermine the budgetary controls in place per the Agreement. No costs were questioned as a result of this finding as the costs were properly supported, allowable and allocable to the Agreement.

Recommendation:

We recommend that Mercy Corps provide training to management regarding what is required to be looked at when performing a financial review of transactions in accordance with its established policies.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-8: Foreign Tax Reports Missing

Condition:

Mercy Corps was not able to provide copies of foreign tax reports submitted for the periods October 1, 2008 to September 30, 2009 and October 1, 2010 to September 30, 2011.

Cause:

Mercy Corps has experienced turnover with staff responsible for the program. Individuals familiar with the program are no longer working with Mercy Corps and the individuals assuming responsibility were unable to locate the requested documentation. Additionally, management did not adequately enforce its records retention policy.

Criteria:

Cooperative Agreement No. 306-A-00-09-00512-00, Attachment C, Section C.25, *Reporting of Foreign Taxes (March 2006)*, states in part:

- a. The recipient must annually submit a report by April 16 of the next year.
- b. Contents of the report must contain...

(vii) Report is required even if recipient did not pay any taxes during the report period..."

Additionally, Mercy Corps Field Administration Manual, Section 3, *Office Management*, Paragraph 3.3.2, *Grant Agreement Files*, states, in part:

"Copies of all grant agreements, budgets, amendments, reports, documentation, donor correspondence and other key program documents should be kept in a centralized location as a permanent office record of Mercy Corps projects. All original grant documents are archived in the HQ Finance Department..."

Effect:

Not retaining copies of reports filed does not allow Mercy Corps to demonstrate to USAID that it has complied with requirements of the Agreement.

Recommendation:

- (1) We recommend that Mercy Corps strengthen its record retention policy related to grant agreement files to ensure all program documentation is properly retained.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-8: Foreign Tax Reports Missing (Continued)

- (2) Since Mercy Corps was unable to locate the Foreign Tax Reports, we recommend that it contact the taxing authority to confirm whether the Reports have been filed, and if not, that it file the required reports.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Findings and Responses

(Continued)

2013-9: Property Management System Lacked Approval

Condition:

The property management system used by Mercy Corps for the receipt, use, maintenance, protection, custody and care of equipment, materials and supplies for which it has custodial responsibility, was not approved by either the USAID Agreement Officer or Agreement Officer's Representative.

Cause:

Mercy Corps indicated that the approval may have been obtained as part of the commencement of other USAID programs in Afghanistan but was unable to locate evidence of approval.

Criteria:

Cooperative Agreement No. 306-A-00-09-00512-00, Attachment C, Section C.23, *Title to and Care of Property (Cooperating Country Title) (November 1985)*, states in part:

"c. The recipient shall prepare and establish a program, to be approved by the appropriate USAID Mission, for the receipt, use, maintenance, protection, custody and care of equipment, materials and supplies for which it has custodial responsibility, including the establishment of reasonable controls to enforce such program..."

Additionally, Mercy Corps Field Administration Manual, Section 3, *Office Management*, Paragraph 3.3.2, *Grant Agreement Files*, states, in part:

"Copies of all grant agreements, budgets, amendments, reports, documentation, donor correspondence and other key program documents should be kept in a centralized location as a permanent office record of Mercy Corps projects. All original grant documents are archived in the HQ Finance Department..."

Effect:

Failure to obtain approval of the property management system as required by the Agreement can result in a system that lacks adequate controls to safeguard property acquired with Federal funds.

Recommendation:

We recommend that Mercy Corps establish procedures to ensure that it obtains approval of its property management system as required by the Agreement, and that the approval be documented and maintained in its grant files.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Response to Findings

For the Period March 10, 2009 through December 31, 2011

Included on the following pages is Mercy Corps' response received to the findings identified in this report.



Thank you for the opportunity to review the draft report and provide management comments to the findings. In review of the report, two errors were noticed and we ask that the report be corrected prior to the report being issued.

A. Corrections

1. **Notes to Fund Accountability Statement, (8) Contractual (Subgrant).** As discussed during the audit fieldwork, Save the Children was unable to claim \$90,859.13 in Indirect Costs due to the limit on Indirect Costs line item included in their sub-grant agreement. The amount of questioned costs relating to Indirect Costs is less than the amount of unclaimed Indirect Costs from Save the Children. Since Save the Children would be able to claim up to their Indirect Costs limit on allowable direct costs, they should not be required to repay indirect costs as they would still have a balance of unclaimed indirect costs. Therefore, only the Direct Costs should be referenced as questioned within the report and not a combination of the direct and indirect costs. Could you please revise the appropriate references within the report to reflect the direct charges only?

Finding Number	Direct	Indirect	Referenced as Questioned
2013-1	\$ 312,266	\$ 44,229	\$ 356,495
2013-2	202,222	30,913	233,135
2013-3	33,480	5,808	39,288
2013-4	1,425	250	1,675
	<u>\$ 549,393</u>	<u>\$ 81,200</u>	<u>\$ 630,593</u>

2. **Notes to Fund Accountability Statement, (10) Indirect Costs.** The negotiated final overhead rates for the period under audit were as follows.

<u>Year Ended June 30</u>	<u>Approved Overhead Rate</u>
2009	13.24%
2010	10.30%
2011	11.77%
2012	15.73%



B. Management Comments

Save the Children has also provided a response to their findings, which is summarized within Mercy Corps' response and included as an Annex to Mercy Corps' Findings for reference. They have acknowledged the difficulty in responding to fully during the audit for various reasons, and have advised that they have been able to find much of the missing information, including time sheets, employment contracts, some cash-for-work payment summaries, and missing vouchers. These documents as well as the original cash-for-work vouchers of Save the Children are available in Afghanistan for review. If there is an opportunity for SIGAR or USAID/Afghanistan to review prior to issuing the audit report, Save the Children can make the documents available. Otherwise, they will be available for USAID/Afghanistan to review once the report is issued.

2013-1: Lack of Complete Documentation to Support Cash-for-Work Programs

Management Response:

Mercy Corps disagrees with the condition in this finding and the resulting questioned costs. Mercy Corps developed the FIRUP Cash-for-Work guidelines to provide an overview of each step in the Cash-for-Work program cycle. These program implementation guidelines offer a framework for the various steps and parties involved in monitoring the implementation of the cash-for-work program. Not all steps are meant to offer an internal control procedure around the handling of cash and documentation of distribution of cash to beneficiaries. Many of the referenced steps in the audit report are for internal management purposes and were not designed to serve a compliance requirement. Some steps result in a document, while others happen through meetings or informal e-mails, such as the Daily Report. The steps were followed, but due to the length of the program and the length of time since it has closed, some reference items, such as photos, that were filed electronically are no longer accessible. The absence of documentation for the non-financial steps should not result in questioned costs, especially as there was a third party monitor hired by USAID/Afghanistan in place for monitoring and evaluation of the program and would have reviewed the non-financial components of the program. As this is a financial audit, it is only Step 4 – Project Implementation, Output 2: Weekly Timesheets and Payment Summary Form that details the requirements of documenting payment to the beneficiary and should be the criteria in testing the allowability of cash for work payments.

The guidelines for Output 2 are detailed below:

Output 2: CfW05 – Weekly Timesheet and CfW06 Payment Summary Form

WHO:

- **Group Leader** prepares the timesheet for their group (if they are literate) recording days worked for each individual participant on a daily basis, INCLUDING THEMSELVES.



- **Site Supervisors** are responsible for ensuring weekly timesheets are maintained for each of their Group Leaders (up to three groups) who are reporting to them. The SS will sign and submit the Timesheets to the Area Supervisor at the end of each week.
- **Participants** sign timesheets acknowledging they agree with the time and days worked and amount they expect to receive.
- **Area Supervisor** reviews and approves the timesheets for each of up to nine projects and completes one Payment Summary Form sending all documents to the CfW Coordinator. They also maintain one weekly timesheet for all Site Supervisors under their supervision.
- **CfW Coordinator** reviews the packet of timesheets with Payment Summary Form attached and gives them to the Program Manager for approval.
- **Program Manager** reviews and approves the Payment Summary Forms for up to 10 Area Supervisors (90 projects) and submits them to the Finance Officer.
- **Finance** reviews all Timesheets and Payment Summary Form for each Area Supervisor and signs Timesheets and Payment Summary Form. Finance prepares payments (see Payments section below).
- **Area Supervisors** ensures document indicating receipt of payment (could be photocopied timesheet) for each individual is collected from Group Leaders and given to Finance.

WHAT: Each timesheet will indicate both morning and afternoon participation. It will also track: total days worked; total wages to be received; as well as signature (or thumbprint) indicating agreement with amount to be paid.

WHY: To track daily attendance per individual participant, calculate weekly wages, document total wages expected to be received and document receipt of payment.

WHEN: Updated daily (morning and afternoon) and submitted weekly.

HOW: Through the monitoring of daily attendance.

Mercy Corps followed the CFW guidelines to support the distribution to beneficiaries. The table below summarizes the financial conditions in Appendix B and outlines why the costs should be deemed allowable. In addition to the below, sample 15, 40 and 52 had no findings relating to the requirements in Output 2, and therefore their questioned costs should be removed from the report.

Sample Nos.	Condition Noted in Audit	Notes on Allowability
1, 4, 9, 10, 12, 14, 17, 19, 24, 30, 34, 36, 37, 43, 51, 56, 58	Signature was missing from a worker	This finding relates to testing of Site Supervisor timesheets. In these cases the Site Supervisor did not finger print on each day of work, but rather signed or finger printed when the entire wage was received and signed or finger printed the wage approval. Each morning and afternoon worked was marked as worked. This complies with the requirements detailed above as the Area Supervisor maintains the timesheet and has noted when the time has been worked,



Sample Nos.	Condition Noted in Audit	Notes on Allowability
	Signature was missing from a worker (continued)	and the Site Supervisor acknowledges the wage to be received and the payment received. There is no missing signature, and as such the costs should not be questioned.
2, 23, 26, 33, 41, 46, 51, 56, 59	Fingerprints were tampered by pen mark	There are pen marks on the timesheet, but it is unclear if this was done prior to or after the fingerprint. There are marks on the days to show when morning and afternoons have been worked, and at times a single pen mark in the wage approval or wage received box. These are likely there to serve as a reminder that the fingerprint needs to be made or to document review of the fingerprint, or sometimes would have been the result of monitors or Site Supervisors double-checking the attendance of the workers listed. These sheets are generally printed or photocopied in the field where conditions can be challenging. This can also lead to marks on the sheets and then compounded if a Site Supervisor ticks or marks to aid in their review. These marks have not altered the presentation or presence of the fingerprint and so it is inaccurate to suggest that the finger print has been “tampered” by pen mark.
2, 5, 6, 13, 26, 32, 33, 34, 43, 45, 53, 55	Fingerprints for the same worker appears different	<p>The auditor did not provide specific reference to which worker’s fingerprint appears different so we cannot speak to each specific example. However, this is a common issue with many NGOs performing CFW programming and we also saw this in our own monitoring of the program. Various reasons for the appearance of different finger prints include:</p> <ul style="list-style-type: none"> • Workers used different fingers due to injury or a rush to complete the timesheet. While this was not the procedure, it happened on occasion. • On occasions where a worker was ill or unable to attend work, which inevitably happens in a program of this size, that worker would sometimes send a relative to complete work in his place, hence the appearance of apparently different fingerprints for the “same” worker. • Laborers were not informed in advance when wages would be distributed due to security reasons, and therefore may be absent when the wage was distributed. Payment was then made to a relatives, co-worker or community leader and later handed over to the beneficiary.



Sample Nos.	Condition Noted in Audit	Notes on Allowability
	Fingerprints for the same worker appears different (Continued)	Each timesheet would have been prepared by the group leader; the Site Supervisor would ensure that the timesheet is being properly maintained; the timesheets would have been reviewed and approved by the Area Supervisor and from this the Payment Summary Form would have been completed. The Program Manager would review and approve the Payment Summary form. There was also monitoring of the projects by Mercy Corps staff and a USAID/Afghanistan contracted third party. As such, there were sufficient compensating controls to ensure that beneficiaries received the CFW payments even if there were irregularities in the fingerprinting.
4, 5, 6, 7, 9, 11, 22, 31, 38, 43, 45, 47, 57	Fingerprints are similar/identical for multiple workers	The auditor did not provide specific reference to which worker's fingerprint appears different so we cannot speak to each specific example. However, this was also observed by Mercy Corps during program implementation. On several occasions Mercy Corps team member specifically investigated what appeared to be similar or identical fingerprints for different workers, but on-site verification with actual workers present in fact confirmed that the fingerprints – while appearing similar – were accurate (that is, were from different workers as listed). The similar appearance of fingerprints is due to the conditions under which fingerprinting was conducted: workers were fingerprinted on hand-held pieces of paper in conditions that were often dusty or windy, and workers' hands were often dirty from construction materials, therefore making the resulting fingerprints either indistinct or similar-looking.
10	The incorrect wage rate was paid for the type of worker.	The auditors did not provide a reference to which worker was paid the incorrect wage. In review of the documentation, it appears that all wage rates were correct.
11	The incorrect wage rate was paid for the type of worker.	This was a project that was implemented in a period that overlapped the off-season and during the harvest period. The wage rate was agreed at the onset of the program, and was agreed at a rate of \$5/day as that is the rate for the harvest period. It would be impractical to have the workers agree to one rate for one day and another rate for the following day. Since the rate paid was per the project agreement, these costs should be considered allowable.



Sample Nos.	Condition Noted in Audit	Notes on Allowability
35	The incorrect wage rate was paid for the type of worker.	This was for a project in October 2010 when the number of hours worked during the work day had to be extended to finish the project within the timeframe established. The associated wage was also increased to correspond with the extension of work day. Mercy Corps is responsible to ensure effective implementation and the wage increase was deemed necessary for implementation. This wage increase on this project didn't require formal modification as outlined in 22 CFR 226, and therefore should be deemed allowable.
37	Deputy program manager did not approve timesheets for all workers	It is agreed that there is one timesheet that was not signed by the Deputy Program Manager. However, it is also a requirement that the Payment Summary Form be signed by the Deputy Program Manager. The Payment Summary Form and all other remaining timesheets were signed, so it is likely an oversight that this one timesheet wasn't signed. Given that there were compensating controls, the costs should be deemed allowable.
41, 56	Fingerprints were printed in identical square shapes	Following a Fingerprint and Compliance Training session in Kabul for the CDP program, in an effort to make his paperwork appear neater, a Site Supervisor cut out a small cardboard square to have people fingerprint through. It was identified that this was not to be done, and the Site Supervisor was instructed to discontinue this practice.
41, 46, 55, 56	Fingerprints were unreadable; Fingerprints were smeared	This is an unfortunate hazard when doing Cash-for-Work programming in a remote operating environment within Afghanistan. As mentioned, workers were fingerprinted on hand-held pieces of paper, with locally available inkpads, in conditions that were often dusty or windy, and workers' hands were often dirty from construction materials. Given the number of workers and conditions, it is difficult to ensure that each fingerprint is completely clear. This is recognized, and therefore the procedure included compensating controls, such as Site Supervisor, Area Manager and Program Manager review and approval to ensure that workers received the correct wages.

Save the Children also had similar procedures for Cash-for-Work distributions. There was not time during the audit period for the auditors to review the original source documents relating to the Cash-for-Work payments since the audit was conducted in Portland, Oregon and the original documentation was in Afghanistan. This would have cleared many of the findings. Scanned documents proved to be



insufficient to address many of the finding relating to CFW exceptions. Additionally, due to when the documents were provided to the auditors, there wasn't the ability for Save the Children to advise the auditors how the documentation addressed the exceptions. Original documentation is available in Afghanistan for review by SIGAR or USAID/Afghanistan. Details on each of the findings are included in the Annex to Mercy Corps' Findings. There were seven findings often repeated in the observations, and Save the Children has a "common response" to those findings, which are detailed below.

Audit Finding	SC Response to audit finding
Fingerprints of the workers were unclear or absent on timesheets.	1. Due consideration should be given to the rural operating environment in Afghanistan where fingerprints were collected using locally available inkpads and provincial staff. The documents were then scanned to share with the auditors and more definition was lost.
Instead of fingerprints there were checkmarks on all timesheets.	2. At the beginning of the project checkmarks were introduced instead of fingerprints due to insufficient space in the timesheet format. From the beginning of the project it was not mandatory to use fingerprints of the workers to the time sheets. After revision of the time sheets to allow enough space for fingerprints, use of fingerprints became mandatory.
No project monitoring reports provided.	3. During the project cycle Save the Children continuously monitored project sites. All project motoring was conducted by the project staff (Area Supervisors; Engineers; Community Mobilizers; M&E staff; project coordinator; project manager, etc.) The monitoring reports were kept in the separate files from the project agreement files. SC is able to share samples of the monitoring reports if required. Based on daily monitoring reports, SC staff prepared the weekly summary reports (e.g. "FIRUP Weekly Project Summary") which were kept in the project agreement files.
Materials/refuse tracking form not provided.	4. As per Save the Children internal policy on supply chain management, Save the Children had used its own materials/refuse tracking format named "Released Order Note". The documents were filed and kept in the logistic department. This practice is used for items moved from the warehouse to the project sites. This is SC standard practice. In addition, Save the Children gradually used the materials/refuse tracking sheets in CFW projects funded by USAID.
No group photo or finished project photo provided.	5. From the beginning of the project group photos and project completion photos were taken at all the times. But some cases those photos were not put into the project but kept in the computer. At the beginning of the project it was not a mandatory requirement to keep photos and completion finished photos in the project file document. That's why some occasions the project photos including group and finished photos were not available in the project file.



<u>Audit Finding</u>	<u>SC Response to audit finding</u>
The village was not listed on any of the project documents.	6. Save the Children made an agreement with the CDC (Community Development Council) while developing and implementing CFW projects funded by USAID. The CDC name was mentioned in the agreement and timesheets as indicated as a location of the project. In most of the cases the CDC names are the same as village names.
No group photos or finished project photos:	7. The referenced project activities were for women. Owing to conservative cultural values, communities initially did not allow pictures to be taken of their women. Some photos were taken during the project life after this was accepted by the communities and beneficiaries.

There is also reference in observations related to Save the Children regarding fingerprints printed in identical square or triangular shapes. This was due to staff using a paper stencil so that the finger prints would not be too large or overlap each other. The result is that many finger prints have the same triangle, square or parallelograms outside dimensions with the fingerprints inside those stenciled shapes are clearly unique.

Given that Mercy Corps and Save the Children followed their own guidelines relating to cash disbursement throughout the program, and there is a reasonable explanation for the exceptions, the costs should be deemed eligible.

2013-2: Personnel Costs Claimed for Non-Program Personnel and Missing Documentation

Management Response:

Mercy Corps disagrees in part with this finding. Mercy Corps has designed the Personnel Activity Report to fulfill two functions, 1) to document the distribution of time to awards and 2) to track paid-time off for tracking by the HR department. It is for this reason that Mercy Corps policy is that the supervisor should review and approve the monthly timesheet. The requirement in OMB Circular A-133, Attachment B., Paragraph 8 Compensation for personal services, m. Support of salaries and wages, (2) states in part that the “(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first-hand knowledge of the activities performed by the employee...” Mercy Corps has met this compliance requirement with the signature of the employee. The documented calculation of salary and wages and net pay is approved by a responsible party of the organization, meeting the requirements outlined in OMB Circular A-133, Attachment B., Paragraph 8 Compensation for personal services, m. Support of salaries and wages, (1). Therefore, Mercy Corps disagrees that \$7,681 and associated fringe should be a questioned cost.

Mercy Corps disagrees that \$836 and associated fringe should be questioned due to a missing employment agreement. There is other documentation that supports the amount agreed and paid to



the employee, such as the offer letter or pay slip. The cost can be determined reasonable by reviewing the salary scale and position for the employee referenced.

Mercy Corps accepts that \$1,853 in ineligible costs should be questioned. The allocation of salary in excess of time work was an error in the allocation of payroll. The per diem allowance was for drivers that did support the program. However, the associated time for the drivers wasn't charged to the program. In absence of such support, Mercy Corps will accept the questioned costs. We also accept \$11,388 in questioned costs relating to missing timesheets. While it is felt that there is sufficient evidence that the employees did work on the program, and it is likely that timesheets are missing due to in-country audits and closure of the related offices, we recognize that we do not have support of the allocation to the program. A total of \$17,961 for the costs, associated fringe and indirect costs will be removed from the program. An updated final report will be submitted to USAID and funds will be returned via Mercy Corps' Letter of Credit (LOC).

Missing timesheets and employment agreements for Save the Children for \$160,764, plus associated fringe, have been located and are available for review and can be shared with the auditors or USAID.

2013-3: Missing or Insufficient Source Documentation to Support Expenses

Management Responses:

Mercy Corps disagrees that \$495 in Travel related costs were unsupported. The ticket change fee of \$80 was approved by the traveler as well as the Country Director who had signed off on the Operational Expense Report that showed evidence of the tickets purchased and associated costs. For the Certification for non-US flight carrier, there is not a requirement that this be approved. To document our compliance with the Fly America Act, Mercy Corps has added a Certification of Unavailability of US Carrier to be filed with the associated Travel Approval form in the case that a U.S. Carrier is unavailable. The travel in question was from Kabul to Dubai, and there is no U.S. Flag Carrier that provides service between these destinations. The traveler had completed the Certification electronically and had attached it to his submitted Travel Approval form. While he failed to complete the "Certified By" section of the form, all other sections were complete and the associated travel approval form was properly approved and financially reviewed. As the compliance requirement is to fly U.S. Flag Carrier when available, we've meet the basic compliance requirement. As such, these costs are documented and supported and therefore should not be questioned.

Mercy Corps accepts the observation related to the journal entry that was not reviewed and approved for \$3,101 and will remove the amount from the program. An updated final report will be submitted to USAID and funds will be returned via the LOC.

Save the Children have reviewed the related observations, and have confirmed that there is sufficient documentation to support \$21,558 of the referenced \$33,480. Some of these documents were



provided during audit field work, but there was insufficient time to address the auditors' questions prior to finalizing the audit. Additional document has been located in Afghanistan and available for USAID's review. The following includes the amount that has been located by Save the Children.

<u>Observation</u>	<u>Number of Transactions</u>	<u>Amount</u>
Invoices, purchase orders and receiving reports provided were ineligible	1	\$ 4,235
No payment voucher and cancelled check provided	1	366
No receipt for travel expense provided	1	120
No invoice provided	1	139
No purpose of trip on Travel Authorization Request	1	400
No support provided	3	16,298
		<u>\$ 21,558</u>

Additional details on the samples are included in the Annex to Mercy Corps' Findings. Due to the time limitations in responding to the audit and number of questions costs, Save the Children focused on responding to the major issues and didn't comment on each transaction. Documentation is available for USAID/Afghanistan's review.

2013-4: Lack of Adherence to Procurement Procedures

Management Response:

Mercy Corps disagrees that the referenced costs should be questions. Mercy Corps recognizes the importance of following Mercy Corps' procurement policy in order to evidence the compliance with the Procurement Standards in 22 CFR 226.40 through 22 CFR 226.49. While not all steps in the procurement process were documented according to our procurement manual, the procurements were done in a manner to ensure open and free competition and to ensure reasonable and necessary costs to the program.

1. \$1,699 relates to a payment to Roshan GSM for mobile phone usage. A preferred supplier agreement was signed with Roshan GSM in May 2010 that establishes pricing, billing and other terms of the contract. While the Afghanistan team is unable to provide the competitive process documentation associated with this procurement, the selection of Roshan GSM was done based on the requirements necessary for such service. Roshan GSM was selected due to its' coverage throughout Afghanistan, quality of services and tariff rates. Information from the vendors within Afghanistan is publically available on the internet, and so a review of the market place could have been done without receiving individual quotes. Additionally, almost all



national and international NGOs use Roshan because of their coverage area. There are limited service providers in Afghanistan that have such an expansive network.

2. \$621 relates to a service contract to support the program by provide training and identification of income generation projects in Mazar-i Sharif. A Purchase Request was raised and properly approved for this transaction. A request for quotation and quotation analysis are missing from the documentation, and in lieu a Curriculum Vitae was provided as support of the qualifications of the individual. As there are limited individuals in Mazar-i Sharif with the required skill sets, and the service contract was properly executed, the costs should be deemed reasonable and necessary.
3. \$2,314 relates to a procurement of gravel where there were only two members that signed off on the quotation analysis, a member from the Procurement Department and the Manager of the Originator's Program, who happened to have the appropriate approval authority over this transaction. There might have been some confusion, as the third member of the committee is someone with approval authority. While the document itself is missing this third signature, the contract issued to the vendor was signed by the Deputy Country Director and reviewed by Finance. This is a compensating control to ensure that procurement transactions are conducted with free and open competition. Had there been an issue with the selection of the company, the Deputy Country Director would not have signed the contract. It should also be noted that the company selected offered the lowest price.

The six transactions for Save the Children are under \$500, and do not require quotation and bid analysis per Save the Children's procurement policy. As these transactions are in line with the procurement policy, we ask that this observation be removed.

2013-5: Need to Review the Excluded Parties List

Management Response:

Mercy Corps disagrees with this finding and we ask that it be removed from the report because both Mercy Corps' and SCF's policies are in compliance with the applicable thresholds for the verification of debarment and suspension.

First, it should be noted that the previous draft of this report which was reviewed by Mercy Corps did not fully reference the criteria which now appears in this final draft in relation to list-checking compliance (Finding 2013-5). The comments attributed to Mercy Corps, "...Both Mercy Corps and SCF were of the opinion that a threshold could be set for performing the search based on reasonableness of



dollar amount...”, do not reflect our opinion related to compliance with the USG rules on Debarment and Suspension. Had the debarment and suspension criteria which now appear in this report been presented in the initial draft, Mercy Corps would have provided the following response:

1. While we agree that the criteria cited, (22 CFR 226.13, Debarment and Suspension; and the Standard Provision, Attachment C, Section C.10, *Debarment, Suspension, and Other Responsibility Matters (January 2004)*), do apply to transactions incurred under this award, the citations in the report do not go far enough to accurately state the applicable thresholds, which are contained in 2 CFR 180.
2. 2 CFR 180 applies to this award because:
 - a. The award contained the Standard Provision, Attachment C, Section C.10, *Debarment, Suspension, and Other Responsibility Matters (January 2004)*.
 - b. Paragraph c of this Standard Provision (which was omitted in the audit report criteria) references the applicability of 22 CFR 208:

“c. The policies and procedures applicable to debarment, suspension, and ineligibility under USAID-financed transactions are set forth in 22 CFR Part 208.”
 - c. In August 2005, OMB updated its guidance on nonprocurement debarment and suspension [Federal Register; August 31, 2005, Vol. 70, No. 168]. In doing so, 22 CFR 208 was superseded and government-wide guidance was re-issued as 2 CFR 180.
3. 2 CFR 180.300 and 2 CFR 180.220, taken together, require that checking the EPLS (or other methods of assurance) be performed for procurement transactions under nonprocurement instruments when the amount of the contract equals or exceeds \$25,000.

§180.300 What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or*
- (b) Collecting a certification from that person; or*
- (c) Adding a clause or condition to the covered transaction with that person.*

[70 FR 51865, Aug. 31, 2005, as amended at 71 FR 66432, Nov. 15, 2006]



§180.220 Are any procurement contracts included as covered transactions?

(a) Covered transactions under this part—

(1) Do not include any procurement contracts awarded directly by a Federal agency; but

(2) Do include some procurement contracts awarded by non-Federal participants in nonprocurement covered transactions.

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a nonprocurement transaction that is covered under §180.210, and the amount of the contract is expected to equal or exceed \$25,000.

(2) The contract requires the consent of an official of a Federal agency. In that case, the contract, regardless of the amount, always is a covered transaction, and it does not matter who awarded it. For example, it could be a subcontract awarded by a contractor at a tier below a nonprocurement transaction, as shown in the appendix to this part.

(3) The contract is for Federally-required audit services.

(c) A subcontract also is a covered transaction if,—

(1) It is awarded by a participant in a procurement transaction under a nonprocurement transaction of a Federal agency that extends the coverage of paragraph (b)(1) of this section to additional tiers of contracts (see the diagram in the appendix to this part showing that optional lower tier coverage); and

(2) The value of the subcontract is expected to equal or exceed \$25,000.

[70 FR 51865, Aug. 31, 2005, as amended at 71 FR 66432, Nov. 15, 2006]

4. Both Mercy Corps' and SCF's policies require verification of debarment and suspension for transactions greater than or equal to \$25,000 and are, therefore, in compliance with the applicable rules and list-checking was not required on these non-threshold transactions.

2013-6: Lack of Segregation of Duties within Cash Disbursement Process

Management Response:

Mercy Corps disagrees with this finding. The subjournal voucher is not a control document related to the disbursement of cash, but rather serves as a coversheet for the supporting documentation for each transaction. The subjournal voucher summarizes the key financial information related to the transactions and provides a unique tracking number, linking a line entry in the accounting system with the original documentation that supports the transaction. The subjournal voucher is entered into a



subjournal and uploaded monthly into the financial system. The subjournal is prepared and reviewed by separate individuals. Cash disbursements are approved via a payment request or employee expense report. There were no noted issues with the segregations of duties on the payment request or employee expense reports referenced in these samples.

2013-7: Misclassified Expenses

Management Response:

Mercy Corps recognizes the importance of properly classifying expenses and will continue to reinforce our policies surrounding financial review of transactions. These are rare instances of miscoding that weren't identified and corrected within the financial system.

2013-8: Foreign Tax Reports Missing

Management Response:

Mercy Corps accepts this finding and additional care will be taken to ensure electronic filing of the submission of the Foreign Tax Reports. Mercy Corps will contact the Mission and determine if the required report has been filed. It should be noted that no foreign taxes would have been reported under this cooperative agreement.

2013-9: Property Management System Lacked Approval

Management Response:

Mercy Corps accepts this finding and will strive to improve filing of such approvals for future awards which contain the Standard Provision, *Title to and Care of Property (Cooperating Country Title) (November 1985)*.

While Mercy Corps was not able to produce documentation evidencing Mission approval for this specific award, Mercy Corps' systems for property management do comply with the applicable requirements set out in the Standard Provision and in 22 CFR 226.30-37. Compliance with these standards is audited as required in Mercy Corps' A-133 audit.

**Save the Children**

November 22, 2013

To: Amy Mulkerin, Global Finance Director Mercy Corps
From: Paul Barker, Country Director SCI in Afghanistan
Subject: SC response to the draft audit report

Dear Amy,

Thanks for sending us the draft audit report and giving us an opportunity to share our comments on the contents of the audit and the questioned costs.

We had difficulty in responding more fully during the audit due to the enormity of the document requests, the remote sub office locations in which many documents were stored, the limited time allotted to find and deliver the documentation (even when considering the time extensions), and the heavy competing demands of other simultaneously ongoing audits and our own extensive ongoing work requirements. The sharing of documentation further exacerbated by the need to scan these documents and send them to MC through email and file exchange. These factors contribute to irregularities and inadequate reconciliation as we hurried to provide data to the auditors.

Since our last response we have been able to find a lot of information including time sheets, employment contracts, some of the project cash for work payment summaries and some missing vouchers which had been stored in the field offices. These documents will be available for review by the auditors. Our responses to the audit are based on the current status and hard documents that we have on hand as of this date. These documents will be presented to the auditor.

Responses to the audit report are grouped in the following categories:

- a. Procurement exceptions
- b. CFW exceptions
- c. Missing or inadequate support exceptions
- d. Payroll exceptions
- e. Excluded party exceptions

The detailed information for the above categories and our comments regarding various transactions and samples is listed in the follow on pages.

We know that we were not able to provide the required information in the given time frame due to reasons explained above. Since many of the additional documents were located recently in the field offices and will be available in the country office, we recommend that these documents be reviewed by auditor before the audit report is



finalized. It would be easy for the local SIGAR office in Afghanistan to see these documents and then finalize the audit report based on the final review of documentations.

Best regards,

A handwritten signature in blue ink, appearing to read "P. Barker".

Paul Barker
Country Director
Save the Children International in Afghanistan

PROCUREMENT EXCEPTIONS

Exception tick 69 sample 38 reference CDB 1396 for AFN 11,015 equivalent to USD 244.07 for purchase of project Materials & stationary for BAM.PA # 3028 is in line with procurement policy and there are various invoices available.

Exception tick 33 sample 39 reference CDB 1396 for AFN 11,015 equivalent to USD 244.07 for Materials & stationary for BAM.PA # 3033 is in line with procurement policy and any procurement for less than USD 500, does not require quotation and bids analysis. Therefore this item should be removed from the list of questionable costs.

Exception tick # 30 sample # sample# 44, sample #47, sample # 147 and sample # 150 reference vouchers CBB 1197 for AFN 624 equivalent to USD 12.77 reference voucher # CBB 1206 for AFN 7,520 equivalent USD 154, reference voucher # CBK-1009 for USD 385 and reference voucher # CBK-1034 for USD 385 are all according to SC procurement policy under which procurement valued less than USD 500 does not require quotations. It is also lower than the threshold for clearing excluded party. We believe that all the costs indicated here are appropriate and should be removed from the questionable costs.

CASH FOR WORK EXCEPTIONS

Common Findings and SC Response:

Audit Finding	SC Response to audit finding
Fingerprints of the workers were unclear or absent on timesheets.	1. Due consideration should be given to the rural operating environment in Afghanistan where fingerprints were collected using locally available inkpads and provincial staff. The documents were then scanned to share with the auditors and more definition was lost.
Instead of fingerprints there were checkmarks on all timesheets.	2. At the beginning of the project checkmarks were introduced instead of fingerprints due to insufficient space in the timesheet format. From the beginning of the project it was not mandatory to use fingerprints of the workers to the time sheets. After revision of the time sheets to allow enough space for fingerprints, use of fingerprints became mandatory.
No project monitoring reports provided.	3. During the project cycle Save the Children continuously monitored project sites. All project monitoring was conducted by the project staff (Area Supervisors; Engineers; Community Mobilizers; M&E staff; project coordinator; project manager, etc.) The monitoring reports were kept in the separate files from the project agreement files. SC is able to share samples of the monitoring reports if required. Based on daily monitoring reports, SC staff prepared the weekly summary reports (e.g. "FIRUP Weekly Project Summary") which were kept in the project agreement files.
Materials/refuse tracking form not provided.	4. As per Save the Children internal policy on supply chain management, Save the Children had used its own materials/refuse tracking format named "Released Order Note". The documents were filed and kept in the logistic department. This practice is used for items moved from the warehouse to the project sites. This is SC standard practice. In addition, Save the Children gradually used the materials/refuse tracking sheets in CFW projects funded by USAID.
No group photo or finished project photo provided.	5. From the beginning of the project group photos and project completion photos were taken at all the times. But some cases those photos were not put into the project but kept in the computer. At the beginning of the project it was not a mandatory requirement to keep photos and completion finished photos in the project file document. That's why some occasions the project photos including group and finished photos were not available in the project file.
The village was not listed on any of the project documents.	6. Save the Children made an agreement with the CDC (Community Development Council) while developing and implementing CFW projects funded by USAID. The CDC name was mentioned in the agreement and timesheets as indicated as a location of the project. In most of the cases the CDC names are the same as village names.
No group photos or finished project photos:	7. The referenced project activities were for women. Owing to conservative cultural values, communities initially did not allow pictures to be taken of their women. Some photos were taken during the project life after this was accepted by the communities and beneficiaries.

SAMPLE: 49; Reference Number: CDMM1969; Expenditure Description: 5th week payment for project FAR-PA 0096

Finding: Fingerprints of the workers were unclear or absent on timesheets. Payment summary report not provided. Total amount on timesheet differs from cash disbursement amount. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprint Issues: Common response 1. **Payment Summary report:** Sometimes the payment summary reports were kept with finance documents in separate files and were not copied in the payment sheets alongside with the timesheets. *SC is able to provide the payments summary reports to the auditors.* **Differences between timesheets and payments:** The total amount for laborers is 50,206 AFS and remaining 1,394 AFS is for the site supervisor (selected from the communities to supervise the group leaders in the project sites). Unfortunately a time sheet for the supervisor is missing here. It is possible to find out the times and share with the auditors for their process. **Village name:** Common response 6. **No group photos or finished project photos:** Common response 5. In addition to this *as per submission the project files for FAR-PA-0096 (CDMM1969) to the audit the group photos are available.* **No project monitoring report:** Common response 3.

SAMPLE: 5; Reference Number: JVB-9059; Expenditure Description: Week 2 payment for project # BAM 0104, 0105

Finding: Instead of fingerprints there were checkmarks on all timesheets by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Checkmarks: Common response 2. **Payment Summary Report:** SC Finance team has submitted the payment summary for the project# BAM 0104 & 0105 (e.g. JVB- 9059-Part Four scanned documents submitted to Audit), please see page number 3. **Differences between timesheets and payments:** Total amounts for the labor cost are as follows: Skilled labor and group leaders: 13,500 AFS; Site Supervisor: 3,300 AFS and unskilled labor cost: 69,000 AFS; total cost as per time sheet is **85,500 AFS**. There is no difference between payment and time sheets (e.g. JVB-9059-Part Four scanned documents submitted to Audit). **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 76; Reference Number: CDB-1499; Expenditure Description: 1st, 2nd, 3rd, 4th, and 5th weekly payments for BAM-PA # 0117 and 0118

Finding: Instead if fingerprints there were checkmarks on all timesheets by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Checkmarks: Common response 2. . **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 5. There are some available photos during the project life (Reference# BAM 0017, page number 81; Reference# BAM 0018, page number 54). **No project monitoring report:** Common response 3. *Note: Instead of project number BAM-PA#0117 and 0118 it was BAM-PA# 0017 & #0018. There were mistakes in the summary description of the project.*

SAMPLE: 172; Reference Number: CPFYB1198; Expenditure Description: 7th & 8th week payment of (3125,3126,3127) for CDP women projects

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response and addition to this: There are no checkmarks in the timesheets (reference: PCV FAR 1198 which was submitted to the Audit by SC) **Materials/refuse tracking:** The submission of reference number FAR 3125 (page # 18), FAR 3126 (page#26). **No group photos or finished project photos:** Common response 5. There are some available photos during the project life (Reference# FAR 3125, page number 6; Reference# FAR 3126, page number 38) **No project monitoring report:** Common response 3.

SAMPLE: 163; Reference Number: CPBMY1355; Expenditure Description: BAM-PA# 3129, 3130, 9th wp IN Pitab Zarin Yakawlang

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Some fingerprints are covered over by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1 and addition to: *Here fingerprints were used on all time sheets (Reference #PCV BMY 1355 was submitted to the audit).* **Some fingerprints covered over by checkmarks:** Common response 2. **Materials/refuse tracking:** The reference number BAM 3129 (page #2) and BAM 3130 (page # 8) were submitted to the audit where the materials/refuse tracking information was available. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 166; Reference Number: PCVSRP0137; Expenditure Description: 9th week payment of CDP Construction Canal SAR Project No: 3154

Finding: Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Materials/refuse tracking:** The reference number SAR 3154 (page #19) was submitted to the audit where the materials/refuse tracking information was available. **No group photos or finished project photos:** The group photos are available in the documents submitted to Audit (Reference number: SAR3154, page #16). The project completion photos were taken during the project life. But unfortunately it was not put in the project file. **No project monitoring report:** Common response 3.

SAMPLE: 173; Reference Number: CPFYB1196; Expenditure Description: 7th & 8th week payment of CDP 3122, 3123, 3124 women projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Materials/refuse tracking:** The reference number FAR 3154 (page #28), FAR 3123 (page#25) and FAR 3124 (page# 24) were submitted to the audit where the materials/refuse tracking information were available. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to audit (Reference number: FAR3122, page #40; FAR 3123, page# 39 and FAR 3124, page #36, 37). The project completion photos were taken during the project life. But unfortunately it was missing in the project file. **No project monitoring report:** Common response 3.

SAMPLE: 184; Reference Number: CPFYB0986; Expenditure Description: 4th & 5th & 6th week PAY of project (3149, 3150) CDP Man project

Finding: Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 188; Reference Number: CPFYB0964; Expenditure Description: 4th, 5th, & 6th week payment of 3146, 3147, 3148 for CDP women projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Materials/refuse tracking:** The reference number FAR 3146 (page #18), FAR 3147 (page#18) and FAR 3148 (page# 25) were submitted to the audit where the materials/refuse tracking information was available. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to

audit (Reference number: FAR3146, page #6; FAR 3147, page# 34 and FAR 3148, page #37). The project completions photos were taken during the project life. But unfortunately they were missing in the project file. **No project monitoring report:** Common response 3.

SAMPLE: 189; Reference Number: CPFYB0965; Expenditure Description: 4th, 5th, & 6th week payment of 3122, 3123, 3124 for CDP women projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Materials/refuse tracking:** The reference number FAR 3122 (page #28; 40), FAR 3123 (page#25) and FAR 3124 (page# 24) were submitted to the audit where the materials/refuse tracking information were available. **No group photos or finished project photos:** common response 7. There are some photos available in the submission documents to audit (Reference number: FAR3122, page #39; 43 FAR 3123, page# 34 and FAR 3124, page #36; 37). The project completion photos were taken during the project life. But unfortunately they were missing in the project file. **No project monitoring report:** Common response 3.

SAMPLE: 192; Reference Number: CPFYB1017; Expenditure Description: 7th 8th & 9th week payment of CDP 3184, 3185 men projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Materials/refuse tracking:** Common response 4.. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 193; Reference Number: CPFYB0987; Expenditure Description: 6th, 7th, 8th, & 9th week payment of (3090, 3091, 3092,) CDP women projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Materials/refuse tracking:** The reference number FAR 3090 (page #27), FAR 3091 (page#28) and FAR 3092 (page# 26) were submitted to the audit where the materials/refuse tracking information were available. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to audit (Reference number: FAR3090, page #39; 43 FAR 3091, page# 41 and FAR 3092, page #39). The project completions photos were taken during the project life, but unfortunately they were missing in the project file. **No project monitoring report:** Common response 3.

SAMPLE: 194; Reference Number: CPBMY1322; Expenditure Description: BAM-PA# 3137, 3138, 3139, 3140 7th week payment in Koshkak Yakawlang

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Some fingerprints are covered over by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1 and addition to: *Here all the time sheets were used with fingerprints (Reference #PCV BMY 1322 was submitted to the audit)..*

Some fingerprints covered over by checkmarks: Common response 2. **Materials/refuse tracking:** Common response 4. And addition to this SC waybill or release order note was available in the submission document to audit (e.g. Reference number: 3137, page # 19; 3138, page # 13; 3139, page # 11). **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 195; Reference Number: CPFYB0786; Expenditure Description: 1st 2nd week payment of CDP 3151, 3168, 3169, 3170, 3171 men projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Materials/refuse tracking:** The reference number FAR 3151 (page #26), FAR 3168 (page#25), FAR 3170 (page# 27) and 3170 (page# 30) were submitted to the audit where the materials/refuse tracking information were available. **No group photos or finished project photos:** The reference numbers 3151 at page number 41 and 42 finished photos, reference number 3170 at page number 43 are available. Group photos at page # 43 (reference FAR 3151; page number 42 (Reference 3168); 41 pages on FAR 3170; page number 46 (reference 3171); page number 47 (reference 3171) **No project monitoring report:** Common response 3.

SAMPLE: 79; Reference Number: CDB-1544; Expenditure Description: 5th week payment for project BAM-PA # 0078, 0079, 0080, 0081, 0082, 0083

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Some fingerprints are covered over by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response1. **Some fingerprints covered over by checkmarks:** Common response2. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 5.. **No project monitoring report:** Common response 3.

SAMPLE: 80; Reference Number: CDB-1544; Expenditure Description: 6th week payment for project BAM-PA # 0078, 0079, 0080, 0081, 0082, 0083.

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Some fingerprints are covered over by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Some fingerprints covered over by checkmarks:** Common response 2. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 190; Reference Number: CPFYB0968; Expenditure Description: 6th, 7th, 8th, 9th week skill labor and 5th, 6th, & 8th week payment of non skill labour 3105, 3106 for CDP PDH Projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. No group photo or completed project photo. Laborer's home villages not listed. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Labor's home Village name:** Common response 6. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 196; Reference Number: CPFYB0801; Expenditure Description: 5th & 6th week payment of (3088, 3089)

Finding: Fingerprints of the workers were unclear or absent on timesheets. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **No group photos or finished project photos:** The reference numbers 3088 and 3089 at page number 82 finished photos, finished project photos reference number 3088 & 3089 at page number 83 and 84 are available. **No project monitoring report:** Common response 3.

SAMPLE: 46; Reference Number: CDB-1627; Expenditure Description: Weekly payments for Lala Khail Female Project # BAM-PA 0130, 0131, and 0132

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Some fingerprints are covered over by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Some fingerprints covered over by checkmarks:** Common response 2. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 65; Reference Number: CDMM1427; Expenditure Description: Weekly payments for Projects # FAR-PA 0023, 0024, 0018, 0015, 0021, 0016, 0022, 0017, 0020

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Group photos are available in the submission documents (page # 53; 54; #30; 86; 85;87; and 29) to the audit (Reference number: # FAR-PA 0023, 0024, 0018, 0015, 0021, 0016, 0022, 0017, and 0020). **No project monitoring report:** Common response 3.

SAMPLE: 68; Reference Number: CDMM1453; Expenditure Description: Weekly payments for Projects # FAR-PA 0047, 0048, 0026, 0027, 0028, 0025, and 0013

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Some fingerprints are oddly shaped. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Oddly Shape:** Due to the low quality of the ink pad, some fingerprints had changed later with different shapes. And sometimes the workers would not put their fingerprint correctly on the time sheets which were not observed by the community workers (group leader; site supervisor) and SC staff. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** The group photos are available in the project documents (e.g. FAR: 0027 at page number 30 and project finished report is at page number 31). All submitted documents to the audit the group photos and finished project photos are available. **No project monitoring report:** Common response 3.

SAMPLE: 69; Reference Number: CDMM1454; Expenditure Description: Weekly payments for Projects # FAR-PA 0017, 0020, 0018, 0019, 0021, 0016, 0032, 0040

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Some fingerprints are oddly shaped. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Oddly Shape:** Due to low quality of the available ink pads, some fingerprints changed later with different shapes. Sometimes the workers would not put their fingerprints correctly in the time sheets which were not observed by the community workers (group leader; site supervisor) and SC staff. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** The group photos and finished project photos are available at the end of the submission documents (# FAR-PA 0017, 0020, 0018, 0019, 0021, 0016, 0032, and 0040). **No project monitoring report:** Common response 3.

SAMPLE: 70; Reference Number: CDMM1466; Expenditure Description: Weekly payments for Projects # FAR-PA 0017, 0020, 0023, 0024, 0051, 0054, 0041, 0042, 0043, 0031, 0032

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** The group photos are available at the end of the submission documents (# FAR-PA 0017, 0020, 0023, 0024, 0051, 0054, 0041, 0042, 0043, 0031, 0032). **No project monitoring report:** Common response 3.

SAMPLE: 71; Reference Number: CDMM1487; Expenditure Description: Weekly payments for Projects # FAR-PA 0046, 0044, 0061, 0062, 0063, 0064, 0047, 0048, 0025, 0059

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 7.. **No project monitoring report:** Common response 3.

SAMPLE: 72; Reference Number: CDMM1489; Expenditure Description: Weekly payments for Projects # FAR-PA 0016, 0022, 0018, 0019, 0021, 0037, 0040, 0067

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 7. **No project monitoring report:** Common response 3.

SAMPLE: 74; Reference Number: CDMM1551; Expenditure Description: Weekly Payments for Projects # FAR-PA 0081, 0077, 0079, 0072, 0074, 0047, 0048, 0029

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to audit (e.g. Reference FAR 0081 at page 29). **No project monitoring report:** Common response 3.

SAMPLE: 75; Reference Number: CDMM1576; Expenditure Description: Weekly Payments for Projects # FAR-PA 0082, 0083, 0084, 0068, 0066, 0067, 0068, 0069

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Materials/refuse tracking:** Common response 4.. **No group photos or finished project photos:** The above mentioned projects were women projects. Due to the cultural barriers the group photos were not taken at the beginning of the project. There were some photos were taken during the project life after it was agreed by the communities and beneficiaries (e.g. Reference FAR 0082 at page 5). **No project monitoring report:** Common response 3.

SAMPLE: 81; Reference Number: CDMM2121; Expenditure Description: 5 days of extention payment for (0157) to men CDP / FIRUP projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. Payment summary report not provided. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Payment Summary report:** Sometimes the payment summary report was kept usually with the finance document in separate files which were not copy in the payment sheets alongside with the timesheets. **Materials/refuse tracking:** The reference number FAR 3151 (page #26) was submitted to the audit where the materials/refuse tracking information were available. **No group photos or finished project photos:** The group and the finished project photos were at the FAR 3151 project document which was submitted to Audit (Page number 42 & 43). **No project monitoring report:** Common response 3.

SAMPLE: 37; Reference Number: CDMM1724; Expenditure Description: 2nd week payment of project # FER-PA 0112

Finding: Fingerprints of the workers were unclear or absent on timesheets. Payment summary report not provided. No materials/refuse tracking form. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Payment Summary report:** Sometimes the payment summary report was kept usually with the finance document in separate files which were not copy in the payment sheets alongside with the timesheets. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** The group and the finished project photos were at the FAR 3112 project document. **No project monitoring report:** Common response 3.

SAMPLE: 64; Reference Number: CDMM1426; Expenditure Description: Weekly payments for Projects # FAR-PA 0030, 0033, 0052, 0053, 0038, and 0039

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** The group and the finished project photos were in the project document (e.g. FAR 0053 at page number 3 & 4). **No project monitoring report:** Common response 3.

SAMPLE: 66; Reference Number: CDMM1436; Expenditure Description: Weekly payments for Projects # FAR-PA 0012, 0011, 0041, 0042, 0043, 0034, 0035, 0036, 0051, and 0054

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** The group and the finished project photos were in the project document (e.g. FAR 0041 at page number 5, 6, 7 & 20). **No project monitoring report:** Common response 3.

SAMPLE: 36; Reference Number: CDMM1620; Expenditure Description: 1st week payment for Project # FAR-PA 0092

Finding: Fingerprints of the workers were unclear or absent on timesheets. Payment summary report not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Payment Summary report:** Sometimes the payment summary reports were kept with finance documents in separate files which were not copied in the payment sheets alongside with the timesheets. **Materials/refuse tracking:** The reference number FAR 3092 (page #26) was submitted to the audit where the materials/refuse tracking information were available. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to audit (e.g. FAR 0092 at page number 13 & 39). **No project monitoring report:** Common response 3.

SAMPLE: 67; Reference Number: CDMM1452; Expenditure Description: Weekly payments for Projects # FAR-PA 0025, 0031, 0032, 0033, 0052

Finding: Fingerprints of the workers were unclear or absent on timesheets. Payment summary report not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Payment Summary report:** Sometimes the payment summary reports were kept with finance documents in separate files and sometimes it was in project file (e.g. Reference FAR 0025 at page 1-5). **Materials/refuse tracking:** The reference number FAR 31 (page #26) was submitted to the audit where the materials/refuse tracking information was available. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to audit (e.g. FAR 0025 at page number 6 & 34). **No project monitoring report:** Common response 3.

SAMPLE: 78; Reference Number: CDB-1543; Expenditure Description: 8th week payment for project BAM-PA # 0078, 0079, 0080, 0081, 0082, 0083

Finding: Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Some fingerprints are covered over by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints and used of Checkmarks: Common response 1. **Some fingerprints covered over by checkmarks:** Common response 2. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 185; Reference Number: CPFYB0962; Expenditure Description: 4th, 5th, & 6th week payment of 3125, 3126, 3127 for CDP women projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Village name:** Common response 6. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to audit (e.g. FAR 3125 at page number 6 & 34). **No project monitoring report:** Common response 3.

SAMPLE: 186; Reference Number: CPFYB0995; Expenditure Description: 4th & 5th & 6th week PAY of project (3119, 3120) CDP Man project

Finding: Fingerprints of the workers were unclear or absent on timesheets. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Village name:** Common response 6. **No group photos or finished project photos:** The reference FAR 3119 & 3120 (e.g. at 68, 69, 70 & 80) group photos and finished project photos are available. **No project monitoring report:** Common response 3.

SAMPLE: 198; Reference Number: CPFYB0963; Expenditure Description: 4th, 5th, & 6th week payment of 3143, 3144, 3145 for CDP women projects

Finding: Fingerprints of the workers were unclear or absent on timesheets. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Village name:** Common response 6. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to audit. The reference FAR 3143, 3144 & 3145 (e.g. FAR 3143 & 3144 at 6,) group photos and finished project photos are available. **No project monitoring report:** Common response 3.

SAMPLE:29; Reference Number: CBSR1182; Expenditure Description: 3rd week payment for CDP Women Project # SAR-P-3003

Finding: Fingerprints unclear for some employees. Payment summary report was not prepared by the area supervisor. No materials/refuse tracking form. Village not listed under the program province. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Payment Summary report:** The payment summary was sent to audit (Reference CBSR 1182 at page number 2; 14). **Village name:** Common response 6. **No group photos or finished project photos:** Common response 7. The reference SAR-PA-3003

(e.g. SAR 3003 at page 9) group photos and finished project photos are available. **No project monitoring report:** Common response 3.

SAMPLE: 30; Reference Number: CBSR1182; Expenditure Description: 3rd week payment for CDP Women Project # SAR-P-3004

Finding: Fingerprints unclear for some employees. Payment summary report was not prepared by the area supervisor. No materials/refuse tracking form. Village not listed under the program province. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Payment Summary signature:** The payment summary was sent to audit (Reference CBSR 1182 at page number 2; 14). **Materials/refuse tracking:** Common response 4. **Village name:** Common response 6. **No group photos or finished project photos:** Common response 7. The reference SAR-PA-3004 (e.g. SAR 3004 at page 10) group photos and finished project photos are available. **No project monitoring report:** Common response 3.

SAMPLE: 31; Reference Number: CBSR1182; Expenditure Description: 3rd week payment for CDP Women Project # SAR-P-3006

Finding: Fingerprints unclear for some employees. Payment summary report was not prepared by the area supervisor. No materials/refuse tracking form. Village not listed under the program province. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Payment Summary signature:** The payment summary was sent to audit (Reference CBSR 1182 at page number 2; 14). **Materials/refuse tracking:** Common response 4. **Village name:** Common response 6. **No group photos or finished project photos:** Common response 7. The reference SAR-PA-3006 (e.g. SAR 3006 at page 8) group photos and finished project photos are available. **No project monitoring report:** Common response 3.

SAMPLE: 28; Reference Number: CBSR1182; Expenditure Description: 3rd week payment for CDP Women Project # SAR-P-3001

Finding: Fingerprints unclear for some employees. Payment summary report was not prepared by the area supervisor. Village not listed under the program province. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Payment Summary signature:** The payment summary was sent to audit (Reference CBSR 1182 at page number 2; 14). **Village name:** Common response 6. **No group photos or finished project photos:** Common response 7. The reference SAR-PA-3001 (e.g. SAR 3001 at page 12) group photos and finished project photos are available. **No project monitoring report:** Common response 3.

SAMPLE: 187; Reference Number: CPFYB0967; Expenditure Description: 2nd, 3rd, & 4th week payment of 3152, 3153, for CDP women projects

Finding: No support provided.

SC Response on audit finding:

The PCV FYB 0967 and the project files FAR 3152 & FAR 3152 were submitted to the audit. Remarks: Save the Children is able to provide all necessary documents for this cost if requested by the auditors.

SAMPLE: 197; Reference Number: CPFYB0148; Expenditure Description: 2nd, 3rd, & 4th week payment of 3053, 3054, for CDP women projects.

Finding: No support provided.

SC Response on audit finding:

The PCV FYB 0148 and the project files FAR 3053 & FAR 3054 were submitted to the audit. Remarks: Save the Children is able to provide all necessary documents for this cost if requested by the auditors.

SAMPLE: 200; Reference Number: CPFYB0775; Expenditure Description: 2nd & 3rd week payment of CDP 3119, 3120 men projects

Finding: No support provided.

The PCV FYB 0775 and the project files FAR 3119 & FAR 3120 were submitted to the audit. Remarks: Save the Children is able to provide all necessary documents for this cost if requested by the auditors.

SAMPLE: 191; Reference Number: CPFYB0980; Expenditure Description: 4th, 5th, & 6th week payment of CDP 3133, 3134 men projects

Finding: Many fingerprints smeared/illegible. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Fingerprints: Common response 1. **Village name:** Common response 6. **No group photos or finished project photos:** The reference FAR 3133 & 3134 (e.g. at page 11) some photos are available. **No project monitoring report:** Common response 3.

SAMPLE: 82; Reference Number: CDMM2169; Expenditure Description: Two days of extension with (0161) CDP Men Projects

Finding: Missing project payment summary sheet. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Payment summary sheets: Sometimes the payment summary reports were kept with finance documents in separate files. That's why they were not in the financial transaction documents. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** The reference FAR 3161 (e.g. at page 38) some photos are available. **No project monitoring report:** Common response 3.

SAMPLE: 169; Reference Number: CPFYB0689; Expenditure Description: 8th & 9th week payment of project (3070, 3071)

Finding: Payment summary reported was not prepared by the area supervisor. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Payment Summary: The payment summary document was sent to audit CPFYB0689 (Reference page number 2) and the project file FAR 3070 (page: 38-45) and FAR 3071 (page: 1-7).

Materials/refuse tracking: Common response 4. **No group photos or finished project photos:** Those group photos and the finished project photos were taken but those were not kept in the project files. The project completion report showed those photos which were collected (Reference: FAR 3071 at page number 10 and FAR 3070 at page number 37). **No project monitoring report:** Common response 3.

SAMPLE: 50; Reference Number: CDMM1926; Expenditure Description: 5th week payment for project FAR-PA 0108

Finding: Payment summary report not provided. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Payment Summary report: The payment summary reports were usually kept with the finance documents in separate files and were not copied in the payment sheets alongside with the timesheets. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** The reference FAR 0108 (e.g. at page 31 and 32) some photos are available. **No project monitoring report:** Common response.

SAMPLE: 73; Reference Number: CDMM1389; Expenditure Description: Payments for project FAR-PA 0044, 0046, 0016, 0099, 0030, 0033, 0017, 0014, and 0015

Finding: Payment summary report not provided. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Payment Summary report: The payment summary reports were usually kept with the finance documents in separate files and were not copied in the payment sheets alongside with the timesheets. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to audit (e.g. FAR-PA 0044, 0046, 0016, 0099, 0030, 0033, 0017, 0014, and 0015) to the audit (e.g. FAR 0017 at page 30). **No project monitoring report:** Common response 3.

SAMPLE: 171; Reference Number: PCVSRP0094; Expenditure Description: 3rd week payment for CDP project # SAR 3079-SAR 3080

Finding: Payment summary reported was not prepared by the area supervisor. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Payment Summary signature: The payment summary signatories in Save the Children are as follows: Initial payment summary is manually prepared by the area supervisors; then it is computerized by the finance team according to the timesheets submitted by the project laborers; these are checked by the finance team; the area supervisor checks; and finally the project coordinator or project manager approves payment. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 7. There are some photos available in the submission documents to audit (e.g. SAR 0079 at page 13). **No project monitoring report:** Common response 3.

SAMPLE: 199; Reference Number: CPBMY0968; Expenditure Description: BAM PA #3137, 3138, 3139, 3140, 3041, 5th week payment in Koshkak Yakawlang

Finding: Payment summary reported was not prepared by the area supervisor. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Payment Summary report: The payment summary signatory process is described above in response to SAMPLE 171. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 77; Reference Number: CDB-1543; Expenditure Description: 7th week payment for project BAM-PA # 0078, 0079, 0080, 0081, 0082, 0083

Finding: Project payment summary sheet missing approval signatures. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Project Payment summary missing approval signature: The payment summary signatory process is described above in response to SAMPLE 171. The reference (CDB-1543 at page number 3, 46 & 88) showed all relevant staff signed the payment summary. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** Common response 5. **No project monitoring report:** Common response 3.

SAMPLE: 175; Reference Number: BPVSRP00116; Expenditure Description: 9th week payment of CDP Gravelling SAR Project No: 3024

Finding: Sample differs to supporting documents by 233 Afghans. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.

SC Response on audit finding:

Sample differs to supporting documents by 233 Afghans: Total cost is 16,900 AFS (reference BPVSRP00116 at page 28-36 and payment summary sheet at page number 20 in BPVSRP00116) as per time sheets and differences 367 AFS. This mistake was made during data entry to the system. **Materials/refuse tracking:** Common response 4. **No group photos or finished project photos:** The reference SAR 3024 (e.g. at page 24) some photos are available. **No project monitoring report:** Common response 3.

MISSING OR INADEQUATE SUPPORT EXCEPTIONS:

The draft audit report indicates a total of USD 33,480 as the questionable cost because of inadequate support or missing documents. However, our review indicates that out of the said amount there are sufficient documents available for USD 21,558. The summary of this amount is indicated in the table below: We believe this shall be removed from the list of questionable costs. We believe these should be removed from the list of questioned costs.

Remarks	Amount USD
Exception tick mark # 37 or sample 94 reference CDMM1866	4,235
Exception tick mark # 39 or ample #183 reference JRNVS RP0002	366
Exception tick mark no 41 or Sample # 142 reference CDMM1156	120
Exception tick mark # 47 or sample # 87 reference CDB 1163	139
Exception tick mark # 48 or sample # 19 reference CDK-9442	400
Exception tick mark # 49 or sample # 13 reference CDB9222	5,000
Exception tick mark # 49 or sample # 103 reference CDB 1102	400
Exception tick mark # 49 or sample # 93 reference voucher CDMM 1474	10,898
Total	21,558

The full explanation of the cost indicated in the above table is reflected in the detail as follows: Exception tick mark # 37 or sample 94 reference CDMM1866. There are sufficient documents to support the transactions amounting for procurement of 586 bags of cement amounting AFN 193,380 equivalent to USD 4,235.22

Exception tick mark # 39 or ample #183 reference JRNVS RP0002 for AFN 17,500 equivalent to USD 366.11 provided on 12 Sep 2013 to MC office in Kabul. The payment voucher and contract are attached and is well supported by documents. The voucher can be sent by email again. This should be removed from the list of questionable costs

Exception tick mark no 41 or Sample # 142 reference CDMM1156 for AFN AF5,750 or equivalent to USD 119.69. This is well supported by petty cash voucher, travel expense report and travel authorization.

Exception tick mark # 47 or sample # 87 reference CDB 1163 for AFN 6,285.44 equivalent to USD 138.66. This has an invoice from the medicos plus USD 150 as per SCI policy (see email attached t the voucher).

Exception tick mark # 48 or sample # 19 reference CDK-9442 for USD 400 is supported by approved travel authorization, tickets etc. It is true that the purpose is not reflected on the TOR but the information for funding source clearly indicates CFW.

Exception tick mark # 49 or sample # 13 reference CDB9222 for AFN 247,500 equivalent to USD 5,000 is well supported by all documents including quotations, bids analysis, purchase order, good received note etc.

Exception tick mark # 49 or sample # 103 reference CDB 1102 for USD 400 was sent on 6 Sep 2013 and is well supported. The voucher can be provided again if required.

Exception tick mark # 49 or sample # 93 reference voucher CDMM 1474 for AFN 550,680 equivalent to USD 10,898 has been located and all the required documents such as purchase requests, quotations, bids analysis, purchase order, good received note, invoice and copy of the check are all attached to the payment voucher.

Exception tick mark # 70 or sample # 84 reference CDMM11071 for USD 138 is for travel costs and has all its supporting documents.

Exception tick mark # 70 or sample # 126 to 132 reference CDK 1670 fore USD 2,338 tickets for SCI staff has the necessary required travel documents and we believe this shall be removed from the questionable costs.

PAYROLL EXCEPTIONS

The draft audit report indicates that a total of USD 162,808 salary is in the category of questionable costs due to lack of time sheets and employees agreements. While going through the vouchers, time sheets and employee agreements we found that almost all of the time sheets and employee agreements were found in our field offices. These are being shifted to the Kabul office and can be shared with the auditors. We believe that a total of about USD 160,764 out of the above mentioned amount is well supported by timesheets and employee agreements. The summary of these amounts is indicated in the table below:

Remarks	Amount USD
Exception tick # 55 or sample # 62 reference CDB-1396	12,451
Exception tick # 55 or sample # 63 reference CDB-1396	15,015
Exception tick # 56	33,390
Exception tick # 57 or sample # 8 reference voucher # CDB-9419	13,261
Exception tick # 58 sample # 59 voucher # CBB1054	19,664
Exception tick # 58 sample # 60 voucher # CBB 1108	20,047
Exception tick # 58 sample # 61 voucher # CBSR 1143	25,842
Exception tick # 61 sample # 58 voucher # CBB 1028	21,095
Total	160,764

The detailed explanation and information regarding the above table is indicated below:

Exception tick # 55 or sample # 62 reference CDB-1396 for AFN 561,895 or equivalent to USD 12,451 for salary. The payment voucher was already shared with the auditors and time sheet

and employees contracts have been located in the field office and are available for review and can be shared with the auditors.

Exception tick # 55 or sample # 63 reference CDB-1396 for AFN 677,640.90 or equivalent to USD 15,015 for salary of program staff was shared with the auditor. Time sheets and employee contracts have been located in the field office and all are now available for review. We believe that the exception tick # 55 for USD 27,466 shall be removed from the questionable finding after we share the employees contract and time sheets.

Exception tick # 56 or sample # 2, sample # 151, sample #152 and sample # 153 reference voucher # 23008 for USD 16,829,29, voucher # 23008c for USD 244.45, voucher # 23002 for USD 8,274.31 and voucher # 23002 for USD 8,041.98 are all supported by the employee timesheet and other information sent by SCUS (Fariz) to MC on 26 Sep 2013. This amount should be removed from the questioned costs.

Exception tick # 57 or sample # 8 reference voucher # CDB-9419 for AFN 657,749.91 or USD 13,261 along with time sheets and employee contracts is ready for review. Out of 28 time sheet, 26 timesheets and employee contracts are available for review and can be shared with the auditors.

Exception tick # 58 sample # 59 voucher # CBB1054 for AFN 953,682 or equivalent USD 19,663.55 for salary has is supported with documents. Time sheets and employees contracts of 39 staff out of 47 have been located. The time sheet and employees contracts for 23 out of 27 staff under Exception tick # 58 sample # 60 voucher # CBB 1108 for AFN 931, 277.67 or equivalent USD 20,046.88 have been located. The time sheets and employees contracts for all staff in Exception tick # 58 sample # 61 voucher # CBSR 1143 for AFN 1,171,433 or equivalent USD 25,842 have been located and can be shared with auditors

Exception tick # 61 sample # 58 voucher # CBB 1028 for AFN 991,511.89 or equivalent USD 21,095 has already been provided to the auditors and the time sheets and employee contracts for 40 out of 48 staff members have been located in the field office and can be shared with the auditors.

EXCLUDED PARTY EXCEPTION

Exception ticket mark # 32 transactions for excluded amounting to USD 59,326 are all below the threshold considered by SCI (USD 25,000) for excluded party checking.

MERCY CORPS

Detailed Results for Finding 2013-1

Sample No. (a)	Conditions	Number of Errors	Questioned Costs
	Contractual (program):		
1	Project completion report was not completed; signature was missing from a worker; picture of completed project was not provided; photo of workgroup was not provided at the beginning of the project; and monthly, daily and weekly Project Summary Report was not completed.	1	\$ 774
2	Fingerprints were tampered by pen mark; fingerprints for the same worker appears different; picture of completed project was not provided; photo of workgroup was not taken at the beginning of the project; and daily project report was not completed.	1	30
4	Signature was missing for a worker; fingerprints are similar for multiple workers; picture of completed project was not provided; photo of workgroup was not taken at the beginning of the project; and daily and weekly project report was not completed.	1	190
5	Fingerprints for the same workers appear different; fingerprints were identical; photo of workgroup was not completed at the beginning of the project; and the daily project report was not completed.	1	153
6	Fingerprints for the same workers appear different; fingerprint were identical for different workers; picture of completed project was not provided; photo of workgroup was not taken at the beginning of the project; and the daily and weekly project reports were not completed.	1	219
7	Fingerprints are similar for multiple workers; picture of completed project was not provided; photo of workgroup was not taken at the beginning of the project; and the daily and weekly project reports were not completed.	1	61
9	Signature was missing of a worker; fingerprints are similar for multiple workers; picture of completed project was not provided; photo of workgroup was not taken at the beginning of project; and the daily project report was not completed.	1	249
10	Signature was missing for a worker; the incorrect wage rate was paid for the type of worker; picture of the completed project was not provided; photo of workgroup was not taken at the beginning of the project; and the daily project report was not completed.	1	203
11	Incorrect wage rate was paid for type of worker; fingerprints are similar for multiple workers; picture of the completed project was not provided; photo of workgroup was not taken at the beginning of the project; and daily and weekly project reports were not completed.	1	428
12	Signature was missing for worker; picture of completed project was not provided; and daily project report was not completed.	1	72
13	Fingerprints for the same workers appear different; signature was not obtained for all participants receiving equipment on the PEDL; picture of the completed project was not provided; photo of workgroup was not taken at the beginning of the project; and the daily project report was not completed.	1	5

MERCY CORPS

Detailed Results for Finding 2013-1

Sample No. (a)	Conditions	Number of Errors	Questioned Costs
14	Signature was missing for a worker; signature was not obtained for all participants receiving equipment on the PEDL; and the monthly and daily project reports were not completed.	1	\$ 69
15	Project completion report was not completed; the equipment distribution list was not provided; picture of completed project was not provided; photo of workgroup was not taken at the beginning of the project; and the monthly daily and weekly project report was not completed.	1	1,065
17	Signature was missing for a worker; signature was not obtained for all participants receiving equipment on the PEDL; photo of workgroup was not taken at the beginning of the project; and the monthly and daily project reports were not completed.	1	68
19, 24, 30	Signature was missing for a worker; and the monthly and daily project reports were not completed.	3	214
22	Fingerprints are similar for multiple workers; picture of completed project was not provided; photo of workgroup was not taken at the beginning of the project; and the daily project report was not completed.	1	65
23, 26	Fingerprints were tampered by pen mark; fingerprints for the same workers appear different; picture of completed project was not provided; photo of workgroup was not taken at the beginning of the project; and monthly and daily project report was not completed.	2	50
31	Fingerprint was similar for multiple workers; signature was not obtained for all participants receiving equipment on the PEDL; picture of the completed project was not provided; photo of workgroup was not taken at the beginning of the project; and the monthly and daily project reports were not completed.	1	67
32	Fingerprints for the same workers appear different; the daily project report was not completed.	1	109
33	Fingerprints for the same workers appear different; fingerprints were tampered by pen mark; picture of the completed project was not provided; and the monthly and daily project report was not completed.	1	34
34	Signature was missing for a worker; fingerprints for the same workers appear different; signature was not obtained for all participants receiving equipment on the PEDL; photo of workgroup was not taken at the beginning of the project; and monthly and daily project reports were not completed.	1	171
35	Incorrect wage rate was paid for type of worker; fingerprints are similar for multiple workers; picture of the completed project was not provided; photo of workgroup was not taken at the beginning of the project; and monthly and daily project reports were not completed.	1	348
36	Signature was missing for a worker; signature was not obtained for all participants receiving equipment on the PEDL; incorrect wage rate was paid for type of worker; and the daily field report was not completed.	1	\$ 30

MERCY CORPS

Detailed Results for Finding 2013-1

Sample No. (a)	Conditions	Number of Errors	Questioned Costs
37	Signature was not obtained for all participants receiving equipment on the PEDL; deputy program manager did not approve timesheets for all workers; photo of workgroup was not taken at the beginning of the project; and the monthly and daily project reports were not completed.	1	233
38	Signature was missing for a worker; fingerprints are similar for multiple workers; picture of completed project was not provided; photo of workgroup was not taken at the beginning of the project; and the monthly and daily project reports were not completed.	1	243
40	Project completion report was not completed; the equipment distribution list was not provided; picture of completed project was not provided; and the monthly, daily and weekly project reports were not completed.	1	1,122
41	Fingerprints were tampered by pen mark; fingerprints for the same workers appear different; fingerprints were printed in identical square shapes for different workers, fingerprints were unreadable; signature was missing for a worker; and the monthly, daily and weekly project reports were not completed.	1	70
43	Signature was missing for a worker; fingerprints for the same workers appear different; fingerprints are identical for different workers; signature was not obtained for all participants receiving equipment on the PEDL; picture of completed project was not provided; and monthly, daily and weekly project reports were not provided.	1	73
45	Fingerprints for the same workers appear different; fingerprints were identical for different workers; signature was not obtained for all participants receiving equipment on the PEDL; photo of workgroup was not taken at the beginning of the project; and monthly, daily and weekly project reports were not completed.	1	270
46	Fingerprints were tampered by pen mark; fingerprints were smeared; picture of completed project was not provided; and the monthly and daily project reports were not completed.	1	1,105
47	Fingerprint is similar for multiple workers; and the monthly and daily project reports were not completed.	1	65
51	Signature was missing for a worker; fingerprints were tampered by pen mark; fingerprints were smeared; and monthly and daily project reports were not completed.	1	68
52	Information was missing to determine correct project worked and related pay period; and monthly and daily project reports were not completed.	1	1,199
53	Fingerprints for the same workers appear different; the equipment distribution list was not provided; and the monthly and daily project reports were not completed.	1	\$ 807
55	Fingerprints were smeared; fingerprints for the same workers appear different; and the monthly and daily project reports were not completed.	1	135

MERCY CORPS

Detailed Results for Finding 2013-1

Sample No. (a)	Conditions	Number of Errors	Questioned Costs
56	Signature was missing for a worker; fingerprints were tampered by pen mark; fingerprints were printed in identical square shapes for different workers; fingerprints were unreadable; fingerprints were smeared; and the monthly and daily project report was not completed.	1	1,332
57	Equipment distribution list was not provided; fingerprints are similar for multiple workers; photo of workgroup was not taken at the beginning of the project; and the monthly, daily and weekly project reports were not completed.	1	63
58	Signature was missing for a worker; the equipment distribution list was not provided; picture of completed project was not provided; and monthly and daily project reports were not completed.	1	28
59	Project completion report was not completed; fingerprints were tampered by pen mark; and monthly and daily project reports were not completed.	1	24
	Subtotal contractual (program)	42	11,511
	Contractual (sub-grant):		
5	Instead of fingerprints, there were checkmarks on all timesheets; materials/refuse tracking form not provided; no group photo or finished project photo provided; and no project monitoring reports provided.	1	1,771
28	Fingerprints were printed in identical square shapes for different workers; fingerprints were unreadable; payment summary report was not prepared by the area supervisor; village not listed under the program province; no group photo or finished project photo provided; and no project monitoring reports provided.	1	1,306
29, 30, 31	Fingerprints were printed in identical square shapes for different workers; fingerprints were unreadable; payment summary report was not prepared by the area supervisor; no materials/refuse tracking form; village not listed under the program province; no group photo or finished project photo provided; and no project monitoring reports provided.	3	3,918
36, 67	Fingerprints were printed in identical square and triangluar shapes for different workers; fingerprints were unreadable; workers timesheets were missing; payment summary report not provided; the village was not listed on any of the project documents; no group photo or finished project photo provided; and no project monitoring reports provided.	2	11,337
37	Fingerprints of the workers were unclear or absent on timesheets; payment summary report not provided; no materials/refuse tracking form; no group photo or finished project photo provided; and no project monitoring reports provided.	1	\$ 1,123
46, 78, 79, 80, 163, 194	Fingerprints of the workers were unclear or smeared on timesheets; some timesheets do not contain fingerprints but contain checkmarks instead; some fingerprints are overwritten by checkmarks; materials/refuse tracking form not provided; no group photo or finished project photo provided; and no project monitoring reports provided.	6	31,670

MERCY CORPS

Detailed Results for Finding 2013-1

Sample No. (a)	Conditions	Number of Errors	Questioned Costs
49	Fingerprints were printed in identical square shapes for different workers; fingerprints were unclear; workers timesheets were missing; payment summary report not provided; total amount on timesheet differs from cash disbursement amount; the village was not listed on any of the project documents; no group photo or finished project photo provided; and no project monitoring reports provided.	1	1,143
50, 73	Payment summary report not provided; materials/refuse tracking form not provided; the village was not listed on any of the project documents; no group photo or finished project photo provided; and no project monitoring reports provided.	2	11,380
56	There were multiple supporting documents for the same amount but no indication as to which supports the sample; no group photo or finished project photo provided; and no project monitoring reports provided.	1	133
64, 65, 66, 70, 71, 72, 74, 75, 76	Fingerprints were printed in identical square and triangular shapes for different workers; fingerprints were unreadable or smeared; some timesheets did not contain fingerprints but contained checkmarks instead; materials/refuse tracking form not provided; no group photo or finished project photo provided; and no project monitoring reports provided.	9	94,083
68, 69	Fingerprints were printed in identical square shapes for different workers; fingerprints were unreadable; fingerprints were smeared; timesheets do not contain fingerprints but contained checkmarks instead; materials/refuse tracking form not provided; no group photo or finished project photo provided; and no project monitoring reports provided.	2	19,455
77	Project payment summary sheet missing approval signatures; materials/refuse tracking form not provided; the village was not listed on any of the project documents; no group photo or finished project photo provided; and no project monitoring reports provided.	1	6,694
81	Fingerprints of the workers were unclear or absent on timesheets; payment summary report not provided; materials/refuse tracking form not provided; no group photo or finished project photo provided; and no project monitoring reports provided.	1	815
82	Missing project payment summary sheet; materials/refuse tracking form not provided; no group photo or finished project photo provided; and no project monitoring reports provided.	1	\$ 505
166, 173, 184, 188, 189, 192, 193, 195	Fingerprints were printed in identical square or small circle shapes for different workers; fingerprints were unreadable or smeared; some timesheets do not contain fingerprints but contained checkmarks instead; some fingerprints are overwritten by checkmarks; materials/refuse tracking form not provided; no group photo or finished project photo provided; and no project monitoring reports provided.	8	48,201
169, 171, 199	Payment summary reported was not prepared by the area supervisor; materials/refuse tracking form not provided; no group photo or finished project photo provided; and no project monitoring reports provided.	3	10,516

MERCY CORPS

Detailed Results for Finding 2013-1

Sample No. (a)	Conditions	Number of Errors	Questioned Costs
172	Fingerprints of the workers were unclear or smeared on timesheets; some timesheets do not contain fingerprints but contain checkmarks instead; materials/refuse tracking form not provided; no group photo or finished project photo provided; and no project monitoring reports provided.	1	4,535
185, 186, 198	Fingerprints of the workers were unclear or absent on timesheets; the village was not listed on any of the project documents; no group photo or finished project photo provided; and no project monitoring reports provided.	3	24,790
187, 197, 200	No support provided	3	18,989
175	Sample differs to supporting documents by 233 Afghans; materials/refuse tracking form not provided; the village was not listed on any of the project documents; no group photo or finished project photo provided; and no project monitoring reports provided.	1	5
190	Fingerprints of the workers were unclear or absent on timesheets; no group photo or completed project photo; worker's home villages not listed; and no project monitoring reports provided.	1	6,462
191	Fingerprints were unreadable or smeared; the village was not listed on any of the project documents; no group photo or finished project photo provided; and no project monitoring reports provided.	1	7,404
196	Fingerprints of the workers were unclear or absent on timesheet; no group photo or finished project photo provided; and no project monitoring reports provided.	1	6,031
	Subtotal contractual (subgrant)	54	312,266
	Total questioned costs Finding 2013-1	96	\$ 323,777

- (a) The sample number represents the number assigned by MHM to the sample selected. Mercy Corps provided a separate CFW population and the samples were numbered 1 through 59. However, SCF provided a combined population from which a combined sample of 200 were selected. As such, the CFW samples are not in sequential order.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Auditors' Rebuttal to Response to Findings

For the Period March 10, 2009 through December 31, 2011

Mercy Corps provided a general management response to the audit and audit report, as well as specific disagreements to 6 out of the 9 findings presented in this report. We have reviewed its management responses and offer the following rebuttals to the general management responses, as well as each of the findings to which it disagreed.

Rebuttal to Management General Response

Mercy Corps indicated that SCF has an additional \$90,859 of indirect costs which were not claimed and any questioned costs should be offset against these unclaimed costs. Any costs not included on the Fund Accountability Statement and not claimed by Mercy Corps and/or SCF were not audited. As such, the decision as to whether additional costs not claimed or audited would be accepted rests with USAID. No changes have been made to the report.

Mercy Corps also identified indirect cost rates by year. We agree with these indirect cost rates and have updated Note 10 accordingly. However, the correct indirect cost rates were used when calculating associated questioned indirect costs.

Rebuttal to Specific Findings in Which Mercy Corps Disagreed**2013-1: Lack of Complete Documentation to Support Cash-for-Work Programs**

Mercy Corps disagrees with this finding. It states that the FIRUP CFW Guidelines only offer a framework to the various steps and parties in monitoring and implementing the CFW program and not all documentation that was missing should result in questioned costs. SCF indicated the original documentation, which was maintained in Afghanistan, was and is available for review.

When auditing the CFW program, we utilized all sources available in determining whether costs were reasonable, allowable and allocable under the Agreement. The FIRUP CFW Guidelines outline specific procedures that employees are to follow in processing and documenting cash disbursements. These procedures become part of the organizations internal control system in the field. If Mercy Corps and/or SCF did not follow its established procedures for processing and/or documenting its disbursements, then doubt was raised as to the allowability of the cost.

In planning this audit, we discussed with Mercy Corps and SCF as to the location of records for audit. It was agreed that SCF would forward its records to Mercy Corps in Portland, Oregon for our review. To the extent that copies were made by SCF, and those copies were illegible, SCF should have reviewed the quality of the documentation provided prior to sending it to Mercy Corps. SCF was slow in providing documentation requested. As soon as the documentation was provided and we were able to review it, we notified both Mercy Corps and SCF that certain of the documents were illegible. However, since SCF was slow in providing documentation to our initial request, the time period in which Mercy

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Auditors' Rebuttal to Response to Findings

(Continued)

Corps and SCF could provide additional documentation or clarification for these illegible items was only a few days before the previously established cutoff date for documentation. Had SCF originally responded in a timely fashion, they would have left themselves more time to respond to our questions. Furthermore, it was not until the exit conference, which was after the cut-off date for providing documents, that SCF indicated that original documents could be made available for review in Afghanistan.

Additionally, only 13% of the sampled items were questioned due to being illegible. The remaining 87% was questioned due to tickmarks being used in lieu of required fingerprints, only a very small portion of a fingerprint was imprinted on a timesheet, no fingerprints were on the timesheet or no timesheets were provided.

Our recommendation remains unchanged.

Mercy Corps and SCF also provided specific management responses to each questioned transaction. These detailed responses and our rebuttal are presented in Appendix D of this report.

2013-2: Personnel Costs Claimed for Non-Program Personnel and Missing Documentation

Mercy Corps partially disagrees with this finding. It states that it is in compliance with OMB Circular A-133 as the timesheets were signed by the employees and the documented calculation of salary, wages and net pay was approved by a responsible party of the organization. Mercy Corps disagrees with the questioned costs due to missing employment agreements, as it believes there is other documentation that supports the amount agreed and paid to the employee, such as the offer letter or pay slip. Mercy Corps does accept the ineligible costs and questioned costs relating to missing timesheets. The missing timesheets and employment agreements for SCF have been located and are available for review.

While Mercy Corps may be in compliance with OMB Circular A-133 requirements related to approvals of timesheets, it is not in compliance with OMB Circular A-122 and its own policies and procedures that require the timesheets be signed a supervisor. Additionally, without a signed employment agreement, we were unable to determine whether the individual paid was actually an employee and whether they were paid at the approved rate of pay. As such, our recommendation remains unchanged.

2013-3: Missing or Insufficient Source Documentation to Support Expenses

MC partially disagrees with this finding. The ticket change fee was approved by the traveler and the Country Director who had signed off on the Operational Expense Report that showed evidence of the tickets purchased and associated costs. However, approval by the Country Director is required prior to travel, and actual approval was not obtained until after travel was completed, which is in violation of

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Auditors' Rebuttal to Response to Findings

(Continued)

Mercy Corps' policy. For the Certification for a non-U.S. flight carrier, Mercy Corps states that there is not a requirement that this be approved. The travel in question was from Kabul to Dubai, and there is no U.S. Flag carrier that provides service between these destinations. The traveler had completed the Certification electronically and had attached it to his submitted Travel Approval form. Mercy Corps accepts the observation related to the journal entry that was not reviewed and approved. SCF stated that some of the documents were provided during audit, but there was insufficient time to address the auditors' questions prior to finalizing the audit. Additional documents have been located in Afghanistan and available for review.

According to Mercy Corps' internal travel policy, all work-related travel by employees must be approved in advance by the traveler's supervisor before travel arrangements are made. However, in this instance, the employee failed to obtain supervisor approval prior to making the flight change. We have added additional criteria from Mercy Corps' Field Financial Manual which requires prior supervisor approval for clarification. The questioned cost related to the "Certification of Unavailability" not being provided for our review for the flight from Kabul to Dubai has been dropped. This consisted of \$415 of direct costs and \$43 of associated indirect costs, for a total of \$458.

SCF has also provided a specific management response to each questioned transaction. These detailed responses and our rebuttal are presented in Appendix D of this report.

2013-4: Lack of Adherence to Procurement Procedures

MC disagrees with this finding. It recognizes the importance of following its procurement policy in order to document compliance with the Procurement Standards in 22 CFR 226.40 through 22 CFR 226.49. While not all steps in the procurement process were documented according to its procurement manual, the procurements were done in a manner to ensure open and free competition and to ensure reasonable and necessary costs to the program. The six transactions for SCF were under \$500, and it states a quotation and bid analysis is not required per its procurement policy.

In the 3 instances that Mercy Corps has provided its response, no documentation was available for review to indicate that the contract for mobile phone usage and the service contract for support training were competitively bid. Additionally, although there were 2 of 3 required signatures on the third item, the third signature was missing. This signature was required per Mercy Corps' procurement policies. As to SCF's response, its procurement policy does require a quotation from 1 vendor for procurements under \$500. A quotation was not provided for our review. We have added this additional criteria to the finding for clarification. As such, our recommendation remains unchanged.

MERCY CORPS

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-09-00512-00

Auditors' Rebuttal to Response to Findings

(Continued)

2013-5: Need to Review the Excluded Parties List

Mercy Corps disagrees with this finding. Mercy Corps states that its and SCF's policies are in compliance with the applicable thresholds for the verification of debarment and suspension for transactions greater than or equal to \$25,000, and are in compliance with the applicable rules and list-checking was not required on these non-threshold transactions. Additionally, just 1 of the sampled transactions for SCF exceeded \$25,000.

After discussion with USAID, we agree that both Mercy Corps and SCF were in compliance with 22 CFR 226.13 and have therefore removed this criterion from the finding. However, both entities were not in compliance with the section C.10.b. of the Agreement. Our recommendation remains unchanged.

2013-6: Lack of Segregation of Duties within Cash Disbursement Process

Mercy Corps disagrees with this finding. It indicates that the subjournal voucher is not a control document related to the disbursement of cash, but rather serves as a coversheet for the supporting documentation for each transaction. The subjournal voucher summarizes the key financial information related to the transactions and provides a unique tracking number, linking a line entry in the accounting system with the original documentation that supports the transaction. The subjournal voucher is entered into a subjournal and uploaded monthly into the financial system. The subjournal is prepared and reviewed by separate individuals.

The subjournal voucher was the only documentary evidence that Mercy Corps provided that was used to convert the local currency to the US dollar. As such, if a mistake was made on the subjournal voucher related to the conversion rate, there would have been no review procedure in place to correct such an error. Our recommendation remains unchanged.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

March 10, 2009 through December 31, 2011

Summarized below is Mercy Corps’ and SCF’s responses to each specific transaction we questioned to which they disagree. The last column includes our rebuttal.

Mercy Corps Specific Responses to Finding 2013-1 and Auditor Rebuttal:

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
1, 4, 9, 10, 12, 14, 17, 19, 24, 30, 34, 36, 37, 43, 51, 56, 58	Signature was missing from a worker	This finding relates to testing of Site Supervisor timesheets. In these cases the Site Supervisor did not finger print on each day of work, but rather signed or finger printed when the entire wage was received and signed or finger printed the wage approval. Each morning and afternoon worker was marked as worked. This complies with the requirements detailed above as the Area Supervisor maintains the timesheet and has noted when the time has been worked, and the Site Supervisor acknowledges the wage to be received and the payment received. There is no missing signature, and as such the costs should not be questioned.	In the absence of a fingerprint each day, Mercy Corps is unable to prove that the Site Supervisor worked the entire period for which he was paid. No change in questioned transactions.
2, 23, 26, 33, 41, 46, 51, 56, 59	Fingerprints were tampered by pen mark	There are pen marks on the timesheet, but it is unclear if this was done prior to or after the fingerprint. There are marks on the days to show when morning and afternoons have been worked, and at times a single pen mark in the wage approval or wage received box. These are likely there to serve as a reminder that the fingerprint needs to be made or to document review of the fingerprint, or sometimes would have been the result of monitors or Site Supervisors double-checking the attendance of the workers listed. These sheets are generally printed or photocopied in the field where conditions can be challenging. This can also lead to marks on the sheets and then compounded if a Site	The pen marks on the fingerprints distort the fingerprint and makes it harder to distinguish 1 finger print from another. No change in questioned transactions.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
		Supervisor ticks or marks to aid in their review. These marks have not altered the presentation or presence of the fingerprint and so it is inaccurate to suggest that the finger print has been “tampered” by pen mark.	
2, 5, 6, 13, 26, 32, 33, 34, 43, 45, 53, 55	Fingerprints for the same worker appears different	<p>The auditor did not provide specific reference to which worker’s fingerprint appears different so we cannot speak to each specific example. However, this is a common issue with many NGOs performing CFW programming and we also saw this in our own monitoring of the program. Various reasons for the appearance of different finger prints include:</p> <ul style="list-style-type: none"> • Workers used different fingers due to injury or a rush to complete the timesheet. While this was not the procedure, it happened on occasion. • On occasions where a worker was ill or unable to attend work, which inevitably happens in a program of this size, that worker would sometimes send a relative to complete work in his place, hence the appearance of apparently different fingerprints for the “same” worker. • Laborers were not informed in advance when wages would be distributed due to security reasons, and therefore may be absent when the wage was distributed. Payment was then made to a relatives, co-worker or community leader and later handed over to the beneficiary. <p>Each timesheet would have been prepared by the group leader; the Site Supervisor would ensure that the timesheet is being properly maintained; the timesheets would have been reviewed and approved by the Area Supervisor and from this the Payment Summary Form would have</p>	During fieldwork, an itemized listing of the workers whose fingerprints had issues was provided to Mercy Corps. If the variances in fingerprints were due to the reasons listed, then the Site Supervisor should have included a comment to explain this variance in fingerprints to a cold reviewer. No change in questioned transactions.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
		<p>been completed. The Program Manager would review and approve the Payment Summary form. There was also monitoring of the projects by Mercy Corps staff and a USAID/Afghanistan contracted third party. As such, there were sufficient compensating controls to ensure that beneficiaries received the CFW payments even if there were irregularities in the fingerprinting.</p>	
<p>4, 5, 6, 7, 9, 11, 22, 31, 38, 43, 45, 47, 57</p>	<p>Fingerprints are similar/identical for multiple workers</p>	<p>The auditor did not provide specific reference to which worker’s fingerprint appears different so we cannot speak to each specific example. However, this was also observed by Mercy Corps during program implementation. On several occasions Mercy Corps team member specifically investigated what appeared to be similar or identical fingerprints for different workers, but on-site verification with actual workers present in fact confirmed that the fingerprints – while appearing similar – were accurate (that is, were from different workers as listed). The similar appearance of fingerprints is due to the conditions under which fingerprinting was conducted: workers were fingerprinted on hand-held pieces of paper in conditions that were often dusty or windy, and workers’ hands were often dirty from construction materials, therefore making the resulting fingerprints either indistinct or similar-looking.</p>	<p>During fieldwork, an itemized listing of the workers whose fingerprints had issues was provided to Mercy Corps. As the fingerprints were the only means of control for this high risk area of cash disbursement, it is important to have tight controls in place to ensure that payment is made to the correct beneficiary. No change in questioned transactions.</p>
<p>10</p>	<p>The incorrect wage rate was paid for the type of worker.</p>	<p>The auditors did not provide a reference to which worker was paid the incorrect wage. In review of the documentation, it appears that all wage rates were correct.</p>	<p>During fieldwork, we communicated with Mercy Corps that the wage rate had a variance where the pay period crossed between</p>

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
			harvest and non-harvest. However, all workers were paid at harvest rates. Per confirmation provided by USAID, if Mercy Corps decided to pay a flat fee, which contradicts the Agreement, USAID prior approval should have been obtained. No change in questioned transactions.
11	The incorrect wage rate was paid for the type of worker.	This was a project that was implemented in a period that overlapped the off-season and during the harvest period. The wage rate was agreed at the onset of the program, and was agreed at a rate of \$5/day as that is the rate for the harvest period. It would be impractical to have the workers agree to one rate for one day and another rate for the following day. Since the rate paid was per the project agreement, these costs should be considered allowable.	Per confirmation provided by USAID, if Mercy Corps decided to pay a flat fee, which contradicts the Agreement, USAID prior approval should have been obtained. No change in questioned transactions.
35	The incorrect wage rate was paid for the type of worker.	This was for a project in October 2010 when the number of hours worked during the work day had to be extended to finish the project within the timeframe established. The associated wage was also increased to correspond with the extension of work day. Mercy Corps is responsible to ensure effective implementation and the wage increase was deemed necessary for implementation. This wage increase on this project didn't require formal modification as outlined in 22 CFR 226, and therefore should be deemed allowable.	Per confirmation provided by USAID, if Mercy Corps decided to pay a flat fee, which contradicts the Agreement, USAID prior approval should have been obtained. No change in questioned transactions.
37	Deputy program manager did not	It is agreed that there is one timesheet that was not signed by the Deputy	When the compensating controls were taking place,

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	approve timesheets for all workers	Program Manager. However, it is also a requirement that the Payment Summary Form be signed by the Deputy Program Manager. The Payment Summary Form and all other remaining timesheets were signed, so it is likely an oversight that this one timesheet wasn’t signed. Given that there were compensating controls, the costs should be deemed allowable.	then someone should have raised the question as to whether that person worked the said time during the pay period and if so why the Deputy Program Manager had not signed the timesheet. No change in questioned transactions.

SCF Specific Responses to Finding 2013-1 and Auditor Rebuttal:

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
28, 29,30, & 31	Fingerprints unclear for some employees. Payment summary report was not prepared by the Area Supervisor. No materials/ refuse tracking form. Village not listed under the program province. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CBSR1182 - Payment Summary report: The payment summary was sent to audit (Reference CBSR 1182 at page number 2; 14). No group photos or finished project photos: The reference SAR-PA-3003 (e.g. SAR 3003 at page 9) group photos and finished project photos are available.	As indicated in the finding, the Payment Summary report was provided but as required by the internal control procedures, it was not prepared by the Area Supervisor. DR # CBSR1182 provided had timesheets on the 25 pages, but no group photos or finished project photos. No change in questioned transactions.
36	Fingerprints of the workers were unclear or absent on timesheets.	DR # CDMM1620 - Materials/refuse tracking: The reference number FAR 3092 (page #26) was submitted to the audit where the materials/refuse tracking information were available.	DR # CDMM1620 provided had timesheets on the 46 pages provided, but no materials/refuse tracking form, group photos or

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	Payment summary report not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	No group photos or finished project photos: There are some photos available in the submission documents to audit (e.g. FAR 0092 at page number 13 & 39).	finished project photos. No change in questioned transactions.
37	Fingerprints of the workers were unclear or absent on timesheets. Payment summary report not provided. No materials/ refuse tracking form. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CDMM1724 - No group photos or finished project photos: The group and the finished project photos were at the FAR 3112 project document.	DR # CDMM1724 provided had timesheets on the 7 pages provided, but no group photos or finished project photos. No change in questioned transactions.
50	Payment summary report not provided. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No	DR # CDMM1926 - No group photos or finished project photos: The reference FAR 0108 (e.g. at page 31 and 32) some photos are available.	DR # CDMM1926 provided had timesheets on page 31 and 32, but no group photos or finished project photos. No change in questioned transactions.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor's Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	group photo or finished project photo provided. No project monitoring reports provided.		
64	Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CDMM1426 - No group photos or finished project photos: The group and the finished project photos were in the project document (e.g. FAR 0053 at page number 3 & 4).	DR # CDMM1426 provided had timesheets on the 49 pages provided, but no group photos or finished project photos. No change in questioned transactions.
65	Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not	DR # CDMM1427 - No group photos or finished project photos: Group photos are available in the submission documents (page # 53; 54; #30; 86; 85;87; and 29) to the audit (Reference number: # FAR-PA 0023, 0024, 0018, 0015, 0021, 0016, 0022, 0017, and 0020).	DR # CDMM1427 provided had timesheets on all 53 pages provided, but no group photos. No change in questioned transactions.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	provided. No group photo or finished project photo provided. No project monitoring reports provided.		
66	Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain finger prints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CDMM1436 - No group photos or finished project photos: The group and the finished project photos were in the project document (e.g. FAR 0041 at page number 5, 6, 7 & 20).	DR # CDMM1436 provided had timesheets on the 69 pages provided, but no group photos or finished project photos. No change in questioned transactions.
67	Fingerprints of the workers were unclear or absent on timesheets. Payment summary report not provided. The village was not listed on any of the project documents. No	DR # CDMM1452 - Materials/ refuse tracking: The reference number FAR 31 (page #26) was submitted to the audit where the materials/refuse tracking information was available. No group photos or finished project photos: There are some photos available in the submission documents to audit (e.g. FAR 0025 at page number 6 & 34).	DR # CDMM1452 provided had timesheets on the 54 pages provided, but no materials/refuse tracking form, group photos or finished project photos. No change in questioned transactions.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	group photo or finished project photo provided. No project monitoring reports provided.		
68	Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain finger prints and contain checkmarks instead. Some fingerprints are oddly shaped. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CDMM1453 - No group photos or finished project photos: The group photos are available in the project documents (e.g. FAR: 0027 at page number 30 and project finished report is at page number 31). All submitted documents to the audit the group photos and finished project photos are available.	DR # CDMM1453 provided had timesheets on all 54 pages provided, but no group photos. No change in questioned transactions.
69	Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks	DR # CDMM1454 - No group photos or finished project photos: The group photos and finished project photos are available at the end of the submission documents (# FAR-PA 0017, 0020, 0018, 0019, 0021, 0016, 0032, and 0040).	DR # CDMM1454 provided had timesheets on all 53 pages provided, but no group photos or finished project photos. No change in questioned transactions.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	instead. Some fingerprints are oddly shaped. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.		
70	Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CDMM1466 - No group photos or finished project photos: The group photos are available at the end of the submission documents (# FAR-PA 0017, 0020, 0023, 0024, 0051, 0054, 0041, 0042, 0043, 0031, 0032).	DR # CDMM1466 provided had timesheets on all 61 pages provided, but no group photos. No change in questioned transactions.
73	Payment summary report not provided. Materials/refuse tracking form not provided. The village was not	DR # CDMM1389 - No group photos or finished project photos: There are some photos available in the submission documents to audit (e.g. FAR-PA 0044, 0046, 0016, 0099, 0030, 0033, 0017, 0014, and 0015) to the audit (e.g. FAR 0017 at page 30).	DR # CDMM1389 provided had timesheet on page 30, but no group photos or finished project photos. No change in questioned transactions.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	<p>listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.</p>		
<p>74</p>	<p>Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.</p>	<p>DR # CDMM1551 - There are some photos available in the submission documents to audit (e.g. Reference FAR 0081 at page 29).</p>	<p>DR # CDMM1551 provided had timesheets on all 53 pages provided, but no group photos. No change in questioned transactions.</p>
<p>75</p>	<p>Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and contain</p>	<p>DR # CDMM1576 - No group photos or finished project photos: The above mentioned projects were women projects. Due to the cultural barriers the group photos were not taken at the beginning of the project. There were some photos were taken during the project life after it was agreed by the communities and beneficiaries (e.g. Reference FAR 0082 at page 5).</p>	<p>DR # CDMM1576 provided had only timesheets on page 5 but not the referenced documentation. No change in questioned transactions.</p>

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	checkmarks instead. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.		
76	Instead of fingerprints there were checkmarks on all timesheets by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	Document Reference (DR) # CDB 1499 - No group photos or finished project photos: There are some available photos during the project life (Reference# BAM 0017, page number 81; Reference# BAM 0018, page number 54). Note: Instead of project number BAM-PA#0117 and 0118 it was BAM-PA# 0017 & #0018. There were mistakes in the summary description of the project.	DR #CDB 1499 provided contained only 74 pages and page 54 is a timesheet for the period 03/07/10 to 08/07/10 but no photographs of the project. No change in questioned transactions.
77	Project payment summary sheet missing approval signatures. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project	DR # CDB-1543 - Project Payment summary missing approval signature: The reference (CDB-1543 at page number 3, 46 & 88) showed all relevant staff signed the payment summary.	The condition related to missing approval signature, not staff’s signature. No change in questioned transactions.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor's Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	photo provided. No project monitoring reports provided.		
81	Fingerprints of the workers were unclear or absent on timesheets. Payment summary report not provided. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CDMM2121 - Materials/ refuse tracking: The reference number FAR 3151 (page #26) was submitted to the audit where the materials/refuse tracking information were available. No group photos or finished project photos: The group and the finished project photos were at the FAR 3151 project document which was submitted to Audit (Page number 42 & 43).	DR # CDMM1551 provided had timesheets on the 12 pages provided, but no Materials/refuse tracking, group photos or finished project photos. DR # CDMM1551 provided had timesheets on the 12 pages provided, but no Materials/refuse tracking, group photos or finished project photos. No change in questioned transactions.
82	Missing project payment summary sheet. Materials/ refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CDMM2169 - No group photos or finished project photos: The reference FAR 3161 (e.g. at page 38) some photos are available.	DR # CDMM2169 provided had 19 pages, but no group photos or finished project photos. No change in questioned transactions.
163	Fingerprints of the workers were unclear or smeared on timesheets. Some	DR #PCVBM1355 - Here fingerprints were used on all time sheets (Reference #PCV BMY 1355 was submitted to the audit). Some fingerprints covered over by checkmarks. Materials/refuse tracking:	Agreed that fingerprints were on all timesheets, but the fingerprints were unclear or smeared or covered with checkmarks. DR #PCVBM1355 provided

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	timesheets do not contain fingerprints and contain checkmarks instead. Some fingerprints are covered over by checkmarks. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	The reference number BAM 3129 (page #2) and BAM 3130 (page # 8) were submitted to the audit where the materials/refuse tracking information was available.	had the CDP Payment Summary on page 2 and a timesheet on page but no material refuse form. No change in questioned transactions.
166	Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	DR #PCVSRP00137 - Materials/refuse tracking: The reference number SAR 3154 (page #19) was submitted to the audit where the materials/refuse tracking information was available. No group photos or finished project photos: The group photos are available in the documents submitted to Audit (Reference number: SAR3154, page #16).	DR #PCVSRP00137 provided only had 9 pages with timesheets only but not the referenced documentation. No change in questioned transactions.
169	Payment summary reported was not prepared by the	DR # CPFYB0689 - Payment Summary: The payment summary document was sent to audit (Reference page number 2) and the	As indicated in the finding, the Payment Summary report was provided (page 2) but as required by the

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	area supervisor. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	project file FAR 3070 (page: 38-45) and FAR 3071 (page: 1-7). No group photos or finished project photos: Those group photos and the finished project photos were taken but those were not kept in the project files. The project completion report showed those photos which were collected (Reference: FAR 3071 at page number 10 and FAR 3070 at page number 37).	internal control procedures, it was not prepared by the Area Supervisor. DR # CPFYB0689 provided had timesheets on the 28 pages, but no group photos or finished project photos. No change in questioned transactions.
171	Payment summary reported was not prepared by the area supervisor. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	DR # PCVSRP0094 - No group photos or finished project photos: There are some photos available in the submission documents to audit (e.g. SAR 0079 at page 13).	DR # PCVSRP0094 provided had timesheets, but no group photos or finished project photos, including on page 13. No change in questioned transactions.
172	Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CPVFYB1198 -Fingerprints and used of Checkmarks: There are no checkmarks in the timesheets (reference: PCV FAR 1198 which was submitted to the Audit by SC) Materials/refuse tracking: The submission of reference number FAR 3125 (page # 18), FAR 3126 (page#26). No group photos or finished project photos: There are some available photos during the project life (Reference# FAR 3125, page number 6; Reference# FAR 3126, page number 38).	There is no reference in this finding to checkmarks. There was no “Released Order Note/ Materials/ refuse tracking form” included on page 18 or 26 on DR # CPVFYB1198 provided, both pages are timesheets. Further pages 6 and 38 had timesheets but no referenced documents. No change in questioned transactions.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
173	Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CPFYB1196 - Materials/ refuse tracking: The reference number FAR 3154 (page #28), FAR 3123 (page#25) and FAR 3124 (page# 24) were submitted to the audit where the materials/refuse tracking information were available. No group photos or finished project photos: There are some photos available in the submission documents to audit (Reference number: FAR3122, page #40; FAR 3123, page# 39 and FAR 3124, page #36, 37).	DR # CPFYB1196 provided had timesheets on pages 28, 25 24,40, 39, 36 and 37 but not the referenced documentation. No change in questioned transactions.
175	Sample differs to supporting documents by 233 Afghans. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	DR # BPVSRP00116 - No group photos or finished project photos: The reference SAR 3024 (e.g. at page 24) some photos are available.	DR # BPVSRP00116 provided had timesheets, but no group photos or finished project photos, including on page 24. No change in questioned transactions.
185	Fingerprints of the workers were unclear or absent on timesheets. The	DR # CPFYB0962 - No group photos or finished project photos: There are some photos available in the submission documents to audit (e.g. FAR 3125 at page number 6 & 34).	DR # CPFYB0962 provided had timesheets on pages 6 and 34, but no group photos or finished project photos. No change in questioned

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor's Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.		transactions.
186	Fingerprints of the workers were unclear or absent on timesheets. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CPFYB0995 - No group photos or finished project photos: The reference FAR 3119 & 3120 (e.g. at 68, 69, 70 & 80) group photos and finished project photos are available.	DR # CPFYB0995 provided had only 45 pages but no photos provided. No change in questioned transactions.
187	No support provided.	DR # PCV FYB 0967 and the project files FAR 3152 & FAR 3152 were submitted to the audit. Remarks: Save the Children is able to provide all necessary documents for this cost if requested by the auditors.	Per GL the DR # is CPF YB0967 for which no support was provided. However we were provided with DR # PCV FYB 0967 as indicated in the SCF response, which contained the petty cash voucher, CDP Payment Summary Form and time sheets on which the fingerprints of the workers were unclear or smeared. But there were no group photo, finished project photo or project monitoring reports.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
			No change in questioned transactions.
188	Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CPFYB0964 - Materials/ refuse tracking: The reference number FAR 3146 (page #18), FAR 3147 (page#18) and FAR 3148 (page# 25) were submitted to the audit where the materials/ refuse tracking information was available. No group photos or finished project photos: There are some photos available in the submission documents to audit (Reference number: FAR3146, page #6; FAR 3147, page# 34 and FAR 3148, page #37).	DR # CPFYB0964 provided had timesheets on pages 6, 18, 25 34 and 37 but not the referenced documentation. No change in questioned transactions.
189	Fingerprints of the workers were unclear or absent on timesheets. Materials/ refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CPFYB0965 - Materials/ refuse tracking: The reference number FAR 3122 (page #28; 40), FAR 3123 (page#25) and FAR 3124 (page# 24) were submitted to the audit where the materials/refuse tracking information were available. No group photos or finished project photos: There are some photos available in the submission documents to audit (Reference number: page #39; 43, page# 34 and page #36; 37).	DR # CPFYB0965 provided had timesheets on pages 28, 25, 24,40, 39, 34, 36 and 37 but not the referenced documentation. No change in questioned transactions.
191	Many	DR # CPFYB0980 - No group photos	DR # CPFYB0980 provided

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	fingerprints smeared/ illegible. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	or finished project photos: The reference FAR 3133 & 3134 (e.g. at page 11) some photos are available.	had timesheets on page 11, but no group photos or finished project photos. No change in questioned transactions.
193	Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CPFYB0987 - Materials/ refuse tracking: The reference number FAR 3090 (page #27), FAR 3091 (page#28) and FAR 3092 (page# 26) were submitted to the audit where the materials/ refuse tracking information were available. No group photos or finished project photos: There are some photos available in the submission documents to audit (Reference number: FAR3090, page #39; 43 FAR 3091, page# 41 and FAR 3092, page #39).	DR # CPFYB0987 provided had only timesheets on pages 27, 28 26, 43, 41 and 39 but not the referenced documentation. No change in questioned transactions.
194	Fingerprints of the workers were unclear or smeared on timesheets. Some timesheets do not contain fingerprints and	DR # CPBMY1322 - Fingerprints and used of Checkmarks: Here all the time sheets were used with fingerprints (Reference #PCV BMY 1322 was submitted to the audit). Some fingerprints covered over by checkmarks: Materials/refuse tracking: SC waybill or release order note was available in the submission document	Agree that there were fingerprints on all timesheets, but the fingerprints were either unclear or smeared or contain checkmarks. DR # CPBMY1322 provided had timesheets on pages 19, 13 and 11 but not the reference

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor’s Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	<p>contain checkmarks instead. Some fingerprints are covered over by checkmarks. Materials/ refuse tracking form not provided. No group photo or finished project photo provided. No project monitoring reports provided.</p>	<p>to audit (e.g. Reference number: 3137, page # 19; 3138, page # 13; 3139, page # 11).</p>	<p>documentation. No change in questioned transactions.</p>
<p>195</p>	<p>Fingerprints of the workers were unclear or absent on timesheets. Materials/refuse tracking form not provided. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.</p>	<p>DR # CPFYB0786 - Materials/ refuse tracking: The reference number FAR 3151 (page #26), FAR 3168 (page#25), FAR 3170 (page# 27) and 3170 (page# 30) were submitted to the audit where the materials/refuse tracking information were available. No group photos or finished project photos: The reference numbers 3151 at pages 41 and 42 finished photos, ref: 3170 at page number 43 are available. Group photos at page # 43 (ref: FAR 3151; page 42 (Ref: 3168); 41 pages on FAR 3170; page 46 (ref: 3171); page 47 (ref: 3171).</p>	<p>DR # CPFYB0786 provided had timesheets on all 42 pages provided but no materials/refuse tracking, group photos or finished project photos. No change in questioned transactions.</p>
<p>196</p>	<p>Fingerprints of the workers were unclear or absent on timesheets. No group photo or finished project</p>	<p>DR # PCVFYB0801 - No group photos or finished project photos: The reference #s 3088 and 3089 at page number 82 finished photos, finished project photos reference number 3088 & 3089 at page number 83 and 84 are available.</p>	<p>DR # PCVFYB0801 provided had timesheets on all 24 pages provided, but no Materials/refuse tracking, group photos or finished project photos. No change in questioned transactions.</p>

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor's Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
	photo provided. No project monitoring reports provided.		
197	No support provided.	Expenditure Description: 2nd, 3rd, & 4th week payment of 3053, 3054, for CDP women projects. DR # PCV FYB 0148 and the project files FAR 3053 & FAR 3054 were submitted to the audit. Remarks: Save the Children is able to provide all necessary documents for this cost if requested by the auditors.	Per GL the DR # is CPFYB0148 for which no support was provided. However, we were provided with DR # PCV FYB 0148 as indicated in the management response, which contained the petty cash voucher, CDP Payment Summary Form and timesheets for weeks 1 and 2 (no week 3 & 4), on which the fingerprints of the workers were unclear or smeared. But there were no group photo, finished project photo provided or project monitoring reports provided.
198	Fingerprints of the workers were unclear or absent on timesheets. The village was not listed on any of the project documents. No group photo or finished project photo provided. No project monitoring reports provided.	DR # CPFYB0963 - No group photos or finished project photos: There are some photos available in the submission documents to audit. The reference FAR 3143, 3144 & 3145 (e.g. FAR 3143 & 3144 at 6,) group photos and finished project photos are available.	DR # CPFYB0963 provided had what appear to be identity cards for 2 women, but no group photos or finished project photos. No change in questioned transactions.
200	No support provided.	Expenditure Description: 2nd & 3rd week payment of CDP 3119, 3120 men projects. DR # PCV FYB 0775	Per GL the DR # is CPFYB0775 for which no support was provided.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor's Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
		and the project files FAR 3119 & FAR 3120 were submitted to the audit. Remarks: Save the Children is able to provide all necessary documents for this cost if requested by the auditors.	However we were provided with DR # PCV FYB 0775 as indicated in the management response, which contained the petty cash voucher, CDP Payment Summary Form and workers timesheets on which the fingerprints of the workers were unclear or smeared. But there were no site supervisor's timesheet, group photo, finished project photo or project monitoring reports provided. No change in questioned transactions.

SCF Specific Responses to Finding 2013-3 and Auditor Rebuttal:

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
13	No support provided.	DR # CDB9222 for AFN 247,500 equivalent to \$5,000 is well supported by all documents including quotations, bids analysis, purchase order, good received note etc.	Support with the DR # CDB9222 was not provided. No change in questioned transactions.
19	No purpose of trip on Travel Authorization Request.	DR # CDK-9442 for \$400 is supported by approved travel authorization, tickets etc. It is true that the purpose is not reflected on the TOR, but the information for funding source clearly indicates CFW.	With no purpose indicated, we are unable to determine whether the travel is related to and authorized by the Agreement. No change in questioned transactions.
84	Sample is supported by partial invoices.	DR # CDMM11071 for \$138 is for travel costs and has all its supporting documents.	The receipts provided were illegible and did not support the travel expenses of \$138. No change in questioned transactions.
87	No invoice provided.	DR # CDB 1163 for AFN 6,285.44 equivalent to \$138.66. This has an invoice from the Medicos Plus \$150 as	In the 8 pages provided for DR # CDB 1163, there is no invoice from Medicos Plus.

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor's Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
		per SCI policy	No change in questioned transactions.
93	No support provided.	DR # CDMM 1474 for AFN 550,680 equivalent to \$10,898 has been located and all the required documents such as purchase requests, quotations, bids analysis, purchase order, good received note, invoice and copy of the check are all attached to the payment voucher.	Support with the DR # CDMM 1474 was not provided. No change in questioned transactions.
94	Invoices, purchase orders and receiving reports (GRN) provided were ineligible.	DR # CDMM1866 - There are sufficient documents to support the transactions amounting for procurement of 586 bags of cement amounting AFN 193,380 equivalent to \$4,235.22.	As mentioned in the finding the preprinted purchase order and GRN appear blank. No change in questioned transactions.
103	No support provided.	DR # CDB 1102 for \$400 was sent on 6 Sep 2013 and is well supported. The voucher can be provided again if required.	Support with the DR # CDB9222 was not provided. No change in questioned transactions.
126, 127, 128, 129, 130, 131 & 132	Sample is supported by partial invoices.	DR # CDK 1670 fore USD 2,338 tickets for SCF staff has the necessary required travel documents and we believe this shall be removed from the questionable costs.	Only Pamir Airways invoice for \$67 and UNHAS receipt for \$200 were provided, which totals \$267 and not the \$334 claimed per employee. The UNHAS travel approval form was not provided. No change in questioned transactions.
142	Receipts for travel expenses not provided.	DR # CDMM1156 for AFN 5,750 or equivalent to \$119.69. This is well supported by petty cash voucher, travel expense report and travel authorization.	As indicated in the finding, no receipts were provided to support the travel expenses. No change in questioned transactions.
183	Payment voucher and cancelled check not provided.	DR # JRNVS RP0002 for AFN 17,500 equivalent to \$366.11 provided on 12 Sep 2013 to MC office in Kabul. The payment voucher and contract are	The lease and general journal were provided, but as indicated in the finding the payment voucher and

MERCY CORPS

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-09-00512-00

Management Responses to Specific Transactions Questioned and Auditor's Rebuttal

(Continued)

Sample Number	Condition Noted in Audit	Management Response	Auditor Rebuttal
		attached and is well supported by documents.	cancelled check was not provided. No change in questioned transactions.

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:

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- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
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- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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