



## MEMORANDUM

**DATE:** May 20, 2019

**TO:** USAID/Afghanistan Mission Director, Peter Natiello

**FROM:** USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Audit Director, James C. Charlifue /s/

**SUBJECT:** Financial Audit of Cost Incurred by Creative Associates International, Inc., Under Afghan Children Read Program in Afghanistan, Task Order AID-306-TO-16-00003, April 6, 2016, to September 30, 2017 (8-306-19-024-N)

This memorandum transmits the final audit report of cost incurred by Creative Associates International, Inc. (CAI) under Afghan Children Read Program in Afghanistan, task order AID-306-TO-16-00003, April 6, 2016, to September 30, 2017. USAID/Afghanistan contracted with the independent certified public accounting firm Crowe LLP to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on CAI's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate the CAI's internal controls; (3) determine whether CAI complied with the task order's requirement and applicable laws and regulations; and (4) determine and report on whether CAI charged the approved final and/or provisional indirect cost rates. To answer the audit objectives, the

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<sup>1</sup> We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

auditors performed the audit that covered \$13,325,697 for the period from April 6, 2016, to September 30, 2017.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$133,853 in unsupported questioned costs. The auditors identified one material weakness related to not properly conducting procurement activities in accordance with internal policies and federal requirements and three significant deficiencies in internal control. The auditors also identified three instances of material noncompliance related to (1) not performing searches for vendor suspension and debarment, (2) not properly conducting procurement activities in accordance with internal policies and federal requirements and three significant deficiencies in internal control (also reported as material weakness in internal control), and (3) not submitting the required annual non-expendable property report to the USAID. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Afghanistan determine if the contractor addressed the issues noted.

To address the issues identified in the report, we recommend that USAID/Afghanistan.

**Recommendation 1.** Determine the allowability of \$133,853 in unsupported questioned costs detailed on pages 19 of the Crowe LLP audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that CAI corrects the three instances of material noncompliance detailed on pages 18-22 of the Crowe LLP audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").