



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: September, 26, 2022

TO: USAID/Afghanistan Mission Director, Sean Callahan

FROM: USAID OIG Asia Regional Office USDH NFA Coordinator, Rhonda M. Horried /s/

SUBJECT: Financial Audit of the Women's Scholarship Endowment Project in Afghanistan Managed by Texas A&M AgriLife Research, Cooperative Agreement 72030618CA00009, September 27, 2018, through December 31, 2020 (5-306-22-015-N)

This memorandum transmits the final audit report on the Women's Scholarship Endowment (WSE) project in Afghanistan managed by Texas A&M AgriLife Research (the recipient) for the period September 27, 2018, through December 31, 2020. USAID/Afghanistan contracted with the independent auditor Crowe LLP to conduct the audit. The audit firm stated 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 the recipient's schedule of expenditures incurred for the WSE project, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures for the period audited was presented fairly, in all material respects; (2) evaluate the recipient's internal controls; (3) determine whether the recipient complied with award terms and applicable laws and regulations, including compliance with the negotiated indirect cost rate agreement and (4) assess whether it had taken adequate corrective action on prior audits, reviews or assessments pertinent to the audit scope. To answer the audit objectives, the audit firm reported it reviewed financial records to verify that transactions were properly recorded and adequately supported; assessed key internal controls; tested compliance with applicable requirements including testing whether indirect costs computation is accurate and in accordance with the agreement; and verified prior-year findings and recommendations status. The audit covered revenues of \$4,237,455 and incurred costs of \$2,380,430.

The audit firm concluded that the schedule of expenditures presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The audit

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

firm identified ineligible questioned costs of \$953, one material weakness in internal control and four instances of material noncompliance, three of which were also reported as significant deficiencies in internal control system. Since the questioned costs did not meet OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Afghanistan determines the allowability of the \$953 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Afghanistan determine if the recipient addressed the issues noted. With regards to indirect costs, the audit firm reported that they indirect were computed in accordance with the agreement. Lastly, the audit firm identified one prior-year recommendation and reported that this had been addressed. The audit firm also issued a management letter relating to other matters on internal control.

There are issues identified that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the mission controller dated September 26, 2022.

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

Recommendation 1. Verify that Texas A&M AgriLife Research has corrected the material weakness in internal control detailed in findings 2020-01 in page 21 of the audit report.

Recommendation 2. Verify that Texas A&M AgriLife Research has addressed the instances of material noncompliance detailed in findings 2020-02, 2020-03, 2020-04 on 2020-05 in pages 22-26 of the audit report.

We ask that you provide written notification of actions planned or taken to reach management decision.

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).