



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: May 3, 2024

TO: USAID/Afghanistan Mission Director, Joel Sandefur

FROM: Deputy Assistant Inspector General for Audit, Christine M. Byrne /s/

SUBJECT: Financial Audit of the Exports, Job, And Market Linkages in Carpet and Jewelry Value-Chains Project in Afghanistan, Managed by the Turquoise Mountain Trust, Agreement 72030619CA00001, January 1 to December 31, 2022 (5-306-24-037-R)

This memorandum transmits the final report on the financial audit of the Exports, Job, And Market Linkages in Carpet and Jewelry Value-Chains Project in Afghanistan, managed by the Turquoise Mountain Trust (TMT), Agreement 72030619CA00001, for the period from January 1, 2022 to December 31, 2022. TMT contracted with the independent firm BDO Ebrahim & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have continuing professional education and external quality control review programs that satisfy GAGAS requirements because professional organizations in Pakistan do not provide external quality control reviews. With respect to the continuing professional education program, the audit firm said it could not fully comply with GAGAS' government auditing required hours. 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 of USAID award, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.¹

The audit objectives were mainly to (1) express an opinion on whether the schedule of expenditures of USAID award for the period audited was presented fairly in all material respects; (2) evaluate TMT's internal controls; and (3) determine whether TMT complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered total costs of \$2,662,922 for the period from January 1, 2022 to December 31, 2022.

The audit firm concluded that the schedule of expenditures of USAID award presented fairly, in all material respects, program revenues, costs incurred and reimbursed, commodities and

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify 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 work papers; desk reviews are not designed to enable us to directly evaluate the quality of the audit performed.

technical assistance directly procured by USAID for the period audited except for ineligible questioned costs in the amount of \$79,488. The audit firm identified five material instances of noncompliance. Out of the five material instances of non-compliance, the audit firm considered three as material internal control weaknesses and one as a significant internal control deficiency. To avoid duplication, we will only include one official recommendation addressing the 5 material instances of non-compliance. We will not include an official recommendation addressing the internal control findings. Further, the audit firm issued a management letter.

During our desk review, we noted areas for improvement in the audit report and informed the regional controller in a memo dated May 3, 2024. Please ensure the audit firm addresses these deficiencies in future audit reports.

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

Recommendation 1. Determine the allowability of the \$79,488 of ineligible questioned costs as reported on page 13 and detailed on pages 20-25 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that TMT corrects the five instances of material noncompliance detailed on pages 20-30 of the audit report.

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”). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.