



Office of Inspector General

MEMORANDUM

DATE: March 22, 2018

TO: USAID/Afghanistan Mission Director, Herbert Smith

FROM: RIG/Frankfurt Audit Manager, Rob Mason /s/

SUBJECT: Schedule of Costs Incurred Audit of Amec Foster Wheeler Environment & Infrastructure, Inc., Under Technical Assistance to the Ministry of Public Works of Afghanistan, Contract AID-306-C-14-00011, August 3, 2014, to December 31, 2015 (Report No. 8-306-18-007-N)

This memorandum transmits the financial audit report on the schedule of costs incurred by Amec Foster Wheeler Environment & Infrastructure, Inc., under Technical Assistance to the Ministry of Public Works of Afghanistan, Contract AID-306-C-14-00011, for the period from August 3, 2014, to December 31, 2015. USAID/Afghanistan contracted with the independent certified public accounting firm, Castro & Company, LLC (Alexandria, Virginia), to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing.¹

The audit firm stated it performed the audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the auditee's schedule of costs incurred; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines. Although the Guidelines were issued for the purpose of financial audits of foreign recipients, the procedures and examples illustrated in the Guidelines were applicable to this audit.

² 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.

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was fairly presented, in all material respects; (2) evaluate the auditee's internal control related to the USAID-funded program; (3) determine whether the auditee complied with the agreement's terms (including cost sharing/counterpart contributions) and applicable laws and regulations; and (4) determine if the auditee has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, the auditor performed the subject financial audit that covered \$10,678,355 for the period from August 3, 2014, to December 31, 2015.

The auditors expressed an unmodified opinion on the schedule of costs incurred and did not identify any questioned costs. The auditors did not identify any material weaknesses in internal control; however, the auditors identified three significant deficiencies in internal control and corresponding instances of material noncompliance. These issues pertained to late reporting to USAID of an internal investigation of one employee (Finding 2016-01), late submission of monthly progress reports (2016-02), and one instance of late vetting of subcontractor eligibility (Finding 2016-03).

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

Recommendation No. 1: *Verify that Amec Foster Wheeler Environment & Infrastructure, Inc. corrects the three significant deficiencies in internal control detailed on pages 20 through 24 of the audit report.*

Recommendation No. 2: *Verify that Amec Foster Wheeler Environment & Infrastructure, Inc. corrects the three instances of material noncompliance detailed on pages 20 through 24 of the audit report.*

We ask that you provide written notification of actions planned or taken to reach management decision for the above recommendation. We appreciate the assistance extended to our staff and the audit firm's staff during the engagement.

The 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").