



## MEMORANDUM

**DATE:** April 25, 2019

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

**FROM:** USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, USDH NFA Coordinator, Abdoulaye Gueye /s/

**SUBJECT:** Closeout Audit of Costs Incurred by Ministry of Education, Under Basic Education, Learning, and Training Program in Afghanistan, Implementation Letter 306-IL-07-20, December 21, 2014, to June 30, 2017 (8-306-19-013-N)

This memorandum transmits the final report on the closeout audit of costs incurred by Ministry of Education (MoE), under basic education, learning, and training (BELT) program in Afghanistan, implementation letter 306-IL-07-20, December 21, 2014, to June 30, 2017. The agency contracted with the independent certified public accounting firm Castro and Company 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 the Ministry of Education's schedule of costs incurred; 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 schedule of costs incurred for the period audited, was presented fairly, in all material respects; (2) evaluate the MoE internal controls; (3) determine whether MoE complied with award terms and applicable laws and regulations; and (4) determine whether the auditee has taken corrective action on prior audit recommendations. To answer the audit objectives, the audit firm performed the subject

---

<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. [Format note: try to keep footnote content on the same page.]

audit that covered \$445,467 for the period from December 21, 2014, to June 30, 2017.

The auditors expressed unmodified opinion on the schedule of costs incurred and identified \$25 in ineligible questioned costs. The auditors identified one significant deficiency, related to discrepancies between quantity of textbooks on form M-7 and warehouse register and one material weakness, related to lack of documentation supporting the preparation of bank reconciliations in internal control. The auditors identified eight instances of material noncompliance, related to: 1) contract extension signed prior to approval of contracting authority; 2) contractor's invoices without required contract information; 3) lack of documentation supporting contractor's eligibility to participate in federal contracts; 4) lack of accidental prevention measures and inventory tracking; 5) retention of quarterly financial reports (SF-425); 6) ineligible cost incurred and claimed; 7) disposal of containers purchased for the delivery of textbooks; and 8) written representation from contractors. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Afghanistan determine the allowability of the \$25 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.

To address the findings identified in the report, the auditors made recommendations to the auditee. We agree and recommend that USAID/Afghanistan do the following.

**Recommendation 1.** *Verify that MoE corrects one material weakness in internal control as detailed on pages 21 of the audit report.*

**Recommendation 2.** *Verify that MoE corrects the eight material instances of noncompliance as detailed on pages 18 - 24 of the audit report.*

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

We appreciate the assistance extended to audit staff 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").