



MEMORANDUM

DATE: May 21, 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: Costs Incurred Financial Audit of Chemonics International Inc. Under Multiple Awards in Afghanistan, April 15, 2015, to December 31, 2017 (8-306-19-027-N)

This memorandum transmits the final audit report on the costs incurred financial and closeout audit of Chemonics International Inc., under the following awards.

Award Name (Type)	Award Number	Period	Subimplementer
Famine Early Warning System Network - Phase III (Task Order) (Closeout)	AID-OAA-TO-12-00003	Jan 1, 2016 – Dec 28, 2016	N/A
Financial Access for Investing in the Development of Afghanistan (Task Order) (Closeout)	AID-306-C-00-11-00531	Sep 1, 2016 – Feb 5, 2017	N/A
Famine Early Warning Network (Task Order) (Closeout)	AID-OAA-TO-16-00015	Dec 5, 2016 – Dec 4, 2017	N/A
Regional Agriculture Development Program – West (Task Order) (Closeout)	AID-306-C-14-00007	Jan 1, 2016 – Oct 25, 2016	N/A
Afghanistan Trade and Revenue (Task Order)	AID-306-TO-13-00009	For fiscal year ended 2016	N/A
Capacity Building Activity at the Ministry of Education (Task Order)	AID-306-C-17-00005	Feb 6, 2016 – Dec 31, 2017	N/A
Promote-Component 3: Women in Government (Task Order)	AID-306-TO-15-00044	For Fiscal Years 2016 and 2017	N/A
Global Health Supply Chain Management (Task Order)	AID-OAA-TO-15-00007	Apr 15, 2015 – Dec 31, 2017	N/A

Afghanistan Public Financial (Management (Task Order)	AID-306-TO-15- 000065	July 27, 2015 – Dec 26, 2017	N/A
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The Agency contracted with the independent certified public accounting firm Crowe Horwath L.L.P 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 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 auditee's schedule of costs incurred; the effectiveness of its internal control; or its compliance with the award, laws, and regulations¹

The audit objectives were mainly to: (1) express an opinion on whether the schedule of costs incurred was presented fairly, in all material respects; (2) evaluate the auditee's internal controls (3) determine whether the auditee complied with the award terms and applicable laws and regulations; (4) determine if the auditee has taken adequate corrective action on prior audit recommendations; and (5) determine if auditee has taken adequate corrective action to address findings and recommendation on prior audit. To answer the audit objectives, the auditors performed the subject financial and closeout audit that covered \$70,436,913 in expenditures for April 15, 2015 to December 31, 2017.

The audit firm expressed an unmodified opinion on the schedule of cost incurred and identified \$351 in questioned costs for the items of noncompliance. The audit firm identified three instances of material noncompliance related to 1) improper calculation of separation allowance; 2) noncompliance with terms and conditions of the contract; and 3) lack of policy or procedure to monitor project property management. The auditors also identified finding number 2 and 3 above as significant deficiencies and finding 1 above as material weakness in internal control; thus we are not making a separate recommendation for material weakness in internal control.

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. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that the agency determine if the recipient addressed the issues noted.

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

Recommendation I. Verify that Chemonics International Inc. corrects the three instances of material noncompliance detailed on pages 30 to 32 of the Crowe audit report.

¹ 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.

We ask that you provide your written notification of the actions planned or taken to each management decision. We appreciate the assistance extended to the audit 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").

Enclosed: a/s