



*Office of Inspector General*

## MEMORANDUM

**DATE:** June 29, 2020

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

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

**SUBJECT:** Audit of the Fund Accountability Statement of The Asia Foundation Under Multiple Awards in Afghanistan, 2017-2018 (8-306-20-037-N)

This memorandum transmits the final audit report on The Asia Foundation incurred costs under the following awards:

Award Name (Type)	Award Number	Period	Sub implementer
AUAF-Financial and Business Management Activity Program (contract)	AID-306-C-17-00014	Jul 5, 2017 - Sep 30, 2018	n/a
Survey of the Afghanistan People Program (grant)	AID-306-G-12-00003	Apr 1, 2018- Sep 30, 2018	n/a
Strengthening Education in Afghanistan II Program (cooperative agreement)	AID-306-A-14-00008	Oct 1, 2017- Sep 30, 2018	n/a

USAID/Afghanistan contracted with the independent certified public accounting firm CliftonLarsonAllen LLP to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the USAID Financial Audit Guide for Foreign Organizations. 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 fund

accountability statement; the effectiveness of its internal controls; or its compliance with the awards, laws, and regulations.<sup>1</sup>

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statements for the period audited was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with the awards terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$10,151,819, for the period from July 5, 2017 to September 30, 2018.

The auditors expressed an unmodified opinion on the fund accountability statement. The auditors questioned a total amount of \$54,479 (\$54,300 ineligible and \$179 unsupported). The audit firm did not identify any material internal control weaknesses. The audit firm identified two material instances of noncompliance. Further, the audit firm issued a management letter.

During our desk review, we noted one minor issue which the audit firm will need to address in future audit reports. We presented this issue in a letter to the controller dated June 29, 2020. Please note that Exhibit (IV) of the audit report includes personally identifiable information.

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

**Recommendation 1.** Determine the allowability of \$54,479 (\$54,300 ineligible and \$179 unsupported) on pages 8, 9, 25, and 32-39 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that The Asia Foundation corrects the two material instances of noncompliance detailed on pages 32-39 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 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").

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<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.