



## MEMORANDUM

**DATE:** July 14, 2020

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

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

**SUBJECT:** Audit of the Fund Accountability Statement of Michigan State University Under Grain Research and Innovation Program in Afghanistan, Cooperative Agreement AID-306-OAA-A-13-00006, January 1 to December 31, 2018 (8-306-20-043-N)

This memorandum transmits the final audit report of the fund accountability statement of Michigan State University under Grain Research and Innovation Program in Afghanistan, cooperative agreement AID-306-OAA-A-13-00006, from January 1 to December 31, 2018. 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 Auditing Standards issued by the Comptroller General of the United States and USAID Financial Audit Guide. 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 fund accountability statement; internal control effectiveness; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement presents fairly, in all material respects, the funds received, costs incurred, and commodities directly procured by USAID for the period audited; (2) evaluate and obtain a sufficient understating of the auditee's internal controls, assessing control risk; and (3) determine whether the auditee complied, in all material respects, with the agreement terms and applicable laws and regulations that have a direct and material effect on the fund accountability

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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.

statement. To answer the audit objectives, the audit firm preformed the subject financial audit that covered \$3,496,988 for the period January 1 to December 31, 2018.

The auditors expressed an unmodified opinion on the fund accountability statement and identified questioned costs of \$25,297 (\$6,605 ineligible and \$18,692 unsupported). The auditors did not identify any material internal control weaknesses but identified one material instance of noncompliance. In addition, the auditor identified two internal control significant deficiencies pertaining to: (a) the salary recording process and vendor contract terms and service agreements and (b) the program's field operation manual. Although we are not making a recommendation for the two significant deficiencies noted in the report, we suggest that USAID/Afghanistan determine if the recipient addressed these issues and determine the allowability of the related costs disclosed on pages 41 and 42 of the audit report. Further, the audit firm issued a management letter.

During our desk review, we noted a minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memo to the controller, July 14, 2020. Please note that pages 25 and 31 of the audit report include personally identifiable information.

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

**Recommendation 1.** Determine the allowability of \$25,297 in questioned costs (\$6,605 ineligible and \$18,692 unsupported) detailed on page 15 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Michigan State University corrects the material instance of noncompliance detailed on pages 28, 29, and 30 of the audit report.

**Recommendation 3.** Determine whether the amounts awarded without open and free competition; detailed on pages 28, 29, and 30; were reasonable.

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