



Office of Inspector General

MEMORANDUM

DATE: August 11, 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: Closeout Audit of the Fund Accountability Statement of ZOA Under Multiple Awards in Afghanistan, 2015-2019 (8-306-20-048-N)

This memorandum transmits the final audit report on ZOA incurred costs under the following awards:

| Award Name (Type) | Award Number | Period | Sub implementer |
|--|---------------------|--------------------------------------|------------------------|
| Emergency Wash for Conflict and Disaster Affected Households in Uruzgan and Sar-E Pul Program (agreement) | AID-OFDA-G-15-00252 | August 15, 2015 to February 14, 2017 | n/a |
| Wash Assistance for Returnees and Conflict IDP's in Jawjan, Sar-E-Pul, Uruzgan and Zabul Provinces Program (agreement) | 720FDA18CA00002 | January 1, 2018 to June 30, 2019 | 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 USAID Financial Audit Guide for Foreign Organizations and 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 fund

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

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statements for the period audited were 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 \$3,933,423 for the period 2015 through 2019.

The auditors expressed an unmodified opinion on the fund accountability statement and questioned \$58,587 of ineligible costs. The audit firm did not identify any material internal control weaknesses but identified three material instances of noncompliance. ZOA currently has no ongoing awards with USAID/Afghanistan, accordingly, USAID/OIG ME/EE regional office is not including a procedural recommendation regarding the material instances of noncompliance. However, if USAID/Afghanistan considers future awards to ZOA it should ensure that adequate controls are established and implemented to address the findings, as detailed on pages 31-35 of the audit report. In addition, although we are not making a recommendation for the significant deficiencies noted in the report, if USAID/Afghanistan considers future awards to ZOA, we suggest that it determine if it addressed the issues noted. Further, the auditor issued a management letter.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. The audit firm did not submit a report on the audit of the indirect cost rate. We presented these issues in a letter to the controller dated August 11, 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 \$58,587 of ineligible questioned costs on pages 7-9 and 31-35 of the audit report and recover any amount that is unallowable.

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

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.

Information Act Exemption Four, 5 U.S.C. 552(b)(4) (“commercial or financial information obtained from a person that is privileged or confidential”).