



MEMORANDUM

DATE: February 16, 2021

TO: USAID/Afghanistan, Mission Director, Tina Dooley-Jones

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

SUBJECT: Fund Accountability Statement Audit of Turquoise Mountain Trust Under Export, Jobs and Market Linkages in Carpet and Jewelry Value Chains Project in Afghanistan, Cooperative Agreement 72030619CA00001, February 1 to December 31, 2019 (8-306-21-018-R)

This memorandum transmits the final audit report on the fund accountability statement of Turquoise Mountain Trust (TMT), under Export, Jobs and Market Linkages in Carpet and Jewelry Value Chains project in Afghanistan, cooperative agreement 72030619CA00001, for the period from February 1 to December 31, 2019. TMT contracted with the independent certified public accounting firm Santa Fe Associates International Assurance Kabul Chartered Accountants to conduct the audit. The audit firm stated that it performed its audit in accordance with the U.S. government auditing standards and OIG guidelines for financial audits.¹ However, it did not have an external peer review and did not have a continuing education program that fully satisfies the standards' requirement. The audit firm explained that Afghanistan does not offer such a review program. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on auditee's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function.

² 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.

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether auditee complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$1,738,819 for the period from February 1 to December 31, 2019.

The auditors expressed an unmodified opinion on the fund accountability statement and identified \$13,069 of ineligible questioned costs. The auditors did not identify any material weaknesses in internal control but identified one material instance of noncompliance. Since the questioned costs did not meet 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 \$13,069 in questioned costs and recover any amount determined to be unallowable. The audit firm issued a management letter.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to controller dated February 16, 2021.

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

Recommendation I. Verify that Turquoise Mountain Trust corrects the material instance of noncompliance detailed on pages 13 and 17 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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").