



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: February 23, 2022

TO: USAID/Afghanistan Mission Director, Peter Duffy

FROM: USAID OIG Asia Regional Office USDH NFA Coordinator, James C. Charlifue /s/

SUBJECT: Financial Audit of Costs Incurred by FHI 360 for the Global Health Supply Chain – Quality Assurance Program in Afghanistan, Contract AID- OAA-C-15-00001, for the period from October 1, 2017 through December 31, 2019 (5-306-22-005-N)

This memorandum transmits the final audit report on the schedule of expenditures of USAID awards¹ of FHI 360 for the Global Healthy Supply Chain – Quality Assurance Program. USAID/Afghanistan contracted with the independent certified public accounting firm Conrad LLP to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. 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 expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations².

The audit objectives were to: (1) express an opinion whether the schedule of expenditures of USAID awards presents fairly, in all material respects, the funds received and costs incurred and commodities and technical assistance directly procured by USAID for the period audited; (2) evaluate and obtain a sufficient understanding of the auditee’s internal control, assessing control risk; (3) determine whether the auditee complied, in all material respects, with the award terms, and applicable laws and regulations that have a direct and material effect on the

¹ On August 6, 2021, USAID updated its Financial Audit Guide for Foreign Organizations. This audit followed the previous USAID Guide version (March 4, 2019) because this was applicable at the time of the audit. Under the updated USAID Guide, the “fund accountability statement” is now called “schedule of expenditures of USAID awards”.

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.

schedule of expenditures of USAID awards including cost-sharing/counterpart contribution; (4) perform an audit of the indirect cost rate; and (5) determine whether the auditee has taken adequate corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the schedule of expenditures of USAID awards and its supporting documents; reviewed internal control systems; reviewed compliance with agreement terms and applicable laws and regulations; and assessed the status of prior audit findings. The audit firm testing of indirect costs was limited to determining that the indirect costs were calculated using approved rates and correct bases. The audit covered \$1,305,870 in expenditures for the period from October 1, 2017, to December 31, 2019.

The audit firm concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues and costs incurred under the awards for the period audited. The audit firm identified questioned costs totaling \$5,625. 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. Nevertheless, we suggest that USAID/Afghanistan determine the allowability of the \$5,625 in questioned ineligible costs and recover any amount determined to be unallowable

The audit firm did not identify any material weaknesses in internal control, but identified one significant deficiency in internal control and one instance of material noncompliance. The material noncompliance and significant deficiency pertained to failure to ensure that costs were supported and allowable. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Afghanistan determine if FHI 360 for the Global Health Supply Chain addressed the issues noted.

The audit firm verified the accuracy of the rates and the bases applied to the indirect costs. The audit firm reported that there were no prior audit findings to be resolved.

There are a few issues that the mission and the audit firm will need to address in future audit reports. We discussed these issues in a memorandum to the controller dated February 23, 2022.

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

Recommendation I. Verify that FHI 360 for the Global Health Supply Chain corrects the one instance of material noncompliance detailed on pages 18 to 22 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach 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").