



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: March 1, 2022

TO: USAID/Afghanistan Mission Director, Peter Duffy

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

SUBJECT: Financial and Closeout Audit of Costs Incurred in Afghanistan by Associates in Rural Development, Inc. Under the Initiative to Strengthen Local Administration Project. Contract No. AID-306-C-15-00005, February 1, 2020 to March 31, 2021(5-306-22-006-N)

This memorandum transmits the financial and closeout audit of costs incurred in Afghanistan by Associates in Rural Development, Inc. (ARD) under the Initiative to Strengthen Local Administration (ISLA) project. USAID/Afghanistan contracted with the independent certified public accounting firm Castro & Company, LLC., to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. Government Auditing Standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ARD's schedule of costs incurred, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether ARD's schedule of costs incurred for the ISLA project for the period audited were presented fairly, in all material respects; (2) evaluate ARD's internal controls; (3) determine whether ARD complied with award terms and applicable laws and regulations; and (4) determine whether ARD had taken corrective actions on prior audit recommendations. The audit covered revenues and costs of \$9,186,452 and \$9,217,226, respectively for the audited period.

The audit firm concluded that the schedule of costs incurred for ISLA project presented fairly, in all material respects, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID/Afghanistan for the audited period. The audit firm did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. The audit firm concluded that ARD has taken corrective action to address

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.

prior audit recommendations and that cost-sharing contributions were not applicable to the contract under audit.

The report does not include any recommendations.

There is an issue that the mission and the audit firm will need to address in future audit reports. We discussed these issue in a memorandum to the controller dated March 1, 2022.

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").