



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

MEMORANDUM

DATE: September 20, 2022

TO: USAID/Afghanistan Mission Director, Sean Callahan

FROM: USAID OIG Asia Regional Office USDH NFA Coordinator, Rhonda M. Horried /s/

SUBJECT: Closeout Audit of Costs Incurred by The Asia Foundation under the Financial and Business Management Activity in Afghanistan, Contract AID-306-C-17-00014, April 1, 2020, to March 31, 2021 (5-306-22-014-N)

This memorandum transmits the audit report on costs incurred by The Asia Foundation (TAF) under the Financial and Business Management Activity supporting the American University of Afghanistan (FBMA program) for April 1, 2020, to March 31, 2021. USAID/Afghanistan contracted with the independent auditor Crowe LLP to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted 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 TAF's schedule of costs incurred for the FBMA program, the effectiveness of TAF's internal control, or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the costs incurred schedule for the period audited was presented fairly, in all material respects; (2) evaluate TAF's internal controls relevant to the FBMA program; (3) determine whether TAF complied with award terms and applicable laws and regulations, including testing whether indirect costs charges were in accordance with the NICRA issued by USAID; and (4) assess whether TAF had taken adequate corrective action on prior-year audit recommendations. The audit covered revenues and costs each amounting to \$698,490 for the audited period.

The audit firm concluded that the costs incurred schedule presented fairly, in all material respects, program revenues earned, and costs incurred under the contract for the audited period. The audit firm also identified four significant deficiencies in internal control, three (3) of which were also reported as instances of material noncompliance and reported associated questioned costs of \$1,155. 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 \$1,155 in questioned costs

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items that need clarification or issues that require management attention. Desk reviews are limited to review of the audit report itself and exclude review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Afghanistan determine if TAF addressed the issues noted. The audit firm also reported that indirect costs were appropriately charged using the applicable rates. Lastly, the audit firm reported that it reviewed three prior audit reports, identified six recommendations that were relevant to the costs incurred schedule, and determined that TAF addressed only three of the six recommendations. The audit firm also issued a management letter covering certain matters identified.

To address the instances of material noncompliance identified, we recommend that USAID/Afghanistan:

Recommendation I. Verify that The Asia Foundation have corrected the 3 instances of material noncompliance detailed in findings 2020-01, 2020-02, and 2020-04 on pages 17-18 and 20-21 of the audit report.

We ask that you provide 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").