



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

MEMORANDUM

DATE: September 26, 2024

TO: USAID/Afghanistan Mission Director, Joel Sandefur

FROM: Asia Regional Office, Assistant Director, Rhonda M. Horried /s/

SUBJECT: Financial Audit of Supporting Student Success in Afghanistan Managed by The American University of Afghanistan, Cooperative Agreement 72030623CA00001, for the period January 1 to June 30, 2023 (5-306-24-053-R)

This memorandum transmits the final report on the schedule of expenditures of USAID awards and other USAID resources pertinent to the subject cooperative agreement, managed by the American University of Afghanistan (AUAF) for the period January 1 to June 30, 2023.

The AUAF contracted with the independent audit firm Rafaqat Barbar & Co. to conduct the audit. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards and the international standards on auditing. However, the audit firm did not have continuing professional education and external quality review that conform with GAGAS requirements. The audit firm indicated that such quality control review is not offered by professional organizations in Afghanistan. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the recipient's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the awards' terms, laws, and regulations.¹

The audit objectives were to: (1) express an opinion on whether the AUAF's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate AUAF's internal controls related to USAID funded programs; (3) perform tests to determine whether it had complied with the awards' terms, applicable laws and regulations, including cost-sharing requirements; and (4) verify transfer of assets with a net book value of \$2,704,526.28 acquired under Cooperative Agreement No. 72030621CA00001 – Technical Capacity Building for AUAF to the subject audited award — Supporting Student Success in Afghanistan. To answer the audit objectives, the audit firm performed the subject

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.

audit that covered expenditures of \$2,708,156 during the audited period. However, the audit firm indicated that since AUAF left Afghanistan in August 2021, they were unable to inspect the facilities, observe work processes, and perform physical verification of the assets.

The audit firm concluded that except for the scope limitation and identified ineligible questioned costs of \$3,838.81, the schedule of expenditure of USAID awards presented fairly, in all material respects, the projects' revenues, costs incurred and reimbursed, during the audited period. The audit firm did not identify material weaknesses in internal controls but had identified 3 instances of material noncompliance. The audit firm issued a management letter to report other internal control matters and an immaterial 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 \$3,838.81 in questioned costs and recover any amount determined to be unallowable.

The audit firm stated that in view of the significant limitation in its audit scope, it could not provide an opinion on the status of the transferred assets per disposition plan.² Nevertheless, it had determined that AUAF has no control over such assets. As for the cost-share requirements, the audit firm reported that it did not find any issue with respect to the recipient's cost-sharing contribution schedule.

During our desk review, we noted several areas for improvement, which the audit firm should address in its future audit reports. We presented these deficiencies in a memorandum to the Controller dated September 26, 2024.

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

Recommendation 1: Verify that AUAF corrects the three instances of material noncompliance detailed on pages 43 to 45 of the audit report.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.³

² These assets are listed in Annexure I of the audit report.

³ The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub.L.No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.