



# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On December 20, 2012, the U.S. Agency for International Development (USAID) awarded a \$14.18 million cooperative agreement to The Asia Foundation (TAF) to support the Afghan Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE) project. The project's goals were to strengthen the ministry's ability to advocate on behalf of Afghan women, conduct outreach and public awareness campaigns, and provide technical assistance to other ministries. After four modifications, the agreement's total funding decreased to \$11.35 million, and the period of performance was extended from December 9, 2015, through December 19, 2016.

SIGAR's financial audit, performed by Williams Adley & Company-DC LLP (Williams Adley), reviewed \$2,535,384 in costs charged to the agreement from December 20, 2015, through December 19, 2016. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in TAF's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether TAF has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of TAF's Special Purpose Financial Statement (SPFS). See Williams Adley's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, SIGAR is required by auditing standards to review the audit work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances where Williams Adley did not comply, in all material respects, with U.S. generally accepted government auditing standards.

October 2019

USAID's Afghan Ministry of Women's Affairs Organizational Restructuring and Empowerment Project: Audit of Costs Incurred by The Asia Foundation

SIGAR 20-02 FA

### WHAT SIGAR FOUND

Williams Adley identified one material weakness in TAF's internal controls and one instance of noncompliance with the terms and conditions of the agreement. The auditors tested 43 disbursements and found that TAF did not follow its employee handbook procedures and federal regulations for five of the disbursements. The five disbursements supported costs associated with three consultants for which TAF could not provide documentation to justify hiring decisions. The auditors determined that TAF significantly deviated from its established hiring policies without properly and adequately documenting a justification.

Because of the internal control material weakness and instance of noncompliance, Williams Adley identified \$36,539 in total questioned costs, consisting entirely of ineligible costs—costs prohibited by the agreement, applicable laws, or regulations. Williams Adley did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

| Category       | Ineligible      | Unsupported | Total Questioned Costs |
|----------------|-----------------|-------------|------------------------|
| Direct Costs   | \$1,451         | \$0         | \$1,451                |
| Contractual    | \$29,943        | \$0         | \$29,943               |
| Indirect Costs | \$5,145         | \$0         | \$5,145                |
| <b>Totals</b>  | <b>\$36,539</b> | <b>\$0</b>  | <b>\$36,539</b>        |

Williams Adley identified one prior audit report that was relevant to TAF's agreement. The audit had three findings that could have a material effect on the SPFS and other financial data that are significant to this audit's objectives. Williams Adley conducted follow-up procedures and concluded that TAF had taken adequate corrective action on two of the findings. The one finding that TAF had not addressed was similar to the finding in this audit.

Williams Adley issued a modified opinion on TAF's SPFS because of material questioned costs identified during the audit.

### WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$36,539 in questioned costs identified in the report.**
- 2. Advise TAF to address the report's one internal control finding.**
- 3. Advise TAF to address the report's one noncompliance finding.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

October 4, 2019

The Honorable Mark Green  
Administrator, U.S. Agency for International Development

Mr. Peter Natiello  
USAID Mission Director for Afghanistan

We contracted with Williams Adley & Company-DC LLP (Williams Adley) to audit the costs incurred by The Asia Foundation (TAF) under a cooperative agreement with the U.S. Agency for International Development (USAID) to support the Afghan Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE) project.<sup>1</sup> The agreement's goal was to strengthen the ministry's ability to advocate on behalf of Afghan women, conduct outreach and public awareness campaigns, and provide technical assistance to other ministries. Williams Adley reviewed \$2,535,384 in costs charged to the agreement from December 20, 2015, through December 19, 2016. Our contract with Williams Adley required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$36,539 in questioned costs identified in the report.**
- 2. Advise TAF to address the report's one internal control finding.**
- 3. Advise TAF to address the report's one noncompliance finding.**

The results of Williams Adley's audit are discussed in detail in the attached report. We reviewed Williams Adley's report and related documentation. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on TAF's Special Purpose Financial Statement. We also express no opinion on the effectiveness of TAF's internal control or compliance with the agreement, laws, and regulations. Williams Adley is responsible for the attached auditor's report and the conclusions expressed therein. However, our review disclosed no instances in which Williams Adley did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

We will be following up with your agency to obtain information on the corrective actions taken in response to our recommendations.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-143)

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<sup>1</sup> The agreement number is AID-306-A-13-0001.

**OFFICE OF THE  
SPECIAL INSPECTOR GENERAL FOR  
AFGHANISTAN RECONSTRUCTION**

Audit F-143

**Financial Audit of Costs Incurred**

by

**The Asia Foundation**

Under

Cooperative Agreement Number AID-306-A-13-00001

For the Period

**December 20, 2015 through December 19, 2016**

Submitted by



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## Transmittal Letter

August 16, 2019

Board of Directors  
The Asia Foundation  
465 California Street, 9<sup>th</sup> Floor  
San Francisco, CA 94104

Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)  
2530 Crystal Drive  
Arlington, VA 22202

We hereby provide to you our final report, which reflects results from the procedures we completed during our audit of The Asia Foundation (TAF) cooperative agreement number AID-306-A-13-00001 with the United States Agency for International Development (USAID) to support the Afghan Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE) program.

Within the pages that follow, we provide a summary of the work performed. Following the summary, we provide our Report on the Special Purpose Financial Statement, Report on Internal Control, and Report on Compliance. We do not express an opinion on the summary, Report on Internal Control or Report on Compliance.

When preparing our reports, we considered comments, feedback and interpretations provided by TAF, SIGAR and USAID in writing and orally, throughout the audit. TAF's responses to the audit reports and our corresponding auditor analysis are incorporated herein following our audit reports.

Thank you for providing us the opportunity to work with you and to conduct the audit of this TAF agreement.

Sincerely,

A handwritten signature in blue ink that reads 'Jocelyn Hill'.

Jocelyn Hill, CPA  
Partner

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WILLIAMS, ADLEY & COMPANY-DC, LLP

*Certified Public Accountants / Management Consultants*

1030 15<sup>th</sup> Street, N.W., Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161

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## Summary

### Background

On December 20, 2012, the United States Agency for International Development (USAID) awarded a \$14.18 million cooperative agreement, number AID-306-A-13-0001, to The Asia Foundation (TAF) to support the Afghan Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE) program. MORE is a follow-on program to the earlier USAID-funded Ministry of Women's Affairs (MOWA) Initiative to Strengthen Policy and Advocacy (MISPA) activity, which ended in January 2011. MORE intended to build upon the success of MISPA, benefiting both from its best practices and lessons learned and focusing on the specific areas identified in the MISPA evaluation and subsequent assessments. In particular, MORE supported two key components of MOWA's National Priority Program: Component 1, which focuses on institutional reform and capacity building, and Component 5, which deals with public awareness and education, outreach, and media relations.

The goal of MORE was to strengthen the Ministry's ability to advocate on behalf of Afghan women, conduct outreach, and public awareness campaigns, and provide technical assistance to other ministries in promoting the interests of Afghan women. TAF identified six components to meet the goal: (1) internal organizational reform and capacity building; (2) gender training for Afghan government staff; (3) pilot gender mainstreaming projects; (4) policy research and development; (5) public education and raising awareness; and (6) monitoring and evaluation.

After four modification to the agreement, the total available funds decreased to \$11.35 million while the period of performance was extended to December 19, 2016. As of December 19, 2016, TAF reported \$10.71 million in total costs incurred. Our audit procedures covered \$2,535,384 in total costs incurred for the period from December 20, 2015 through December 19, 2016.

Table 1: TAF Agreement with Modifications

| Agreement Activity | Date               | Purpose  |
|--------------------|--------------------|--|
| Initial Award      | December 20, 2012  | Award execution  |
| Modification 1     | September 15, 2013 | Key Personnel Change                                       |
| Modification 2     | September 22, 2014 | Increase funding, budget re-alignment and personnel change |
| Modification 3     | December 9, 2015   | Extended Period of Performance                             |
| Modification 4     | December 27, 2016  | De-obligate \$1.4 million in funds                         |

## Worked Performed

The Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) contracted Williams, Adley & Company-DC, LLP (Williams Adley) to conduct a financial audit of revenues received, costs incurred, items directly procured by the United States Government and the balance for the period audited under cooperative agreement AID-306-A-13-00001 and associated modifications awarded to TAF for the period from December 20, 2015, through December 19, 2016.

## Objectives

The following are the objectives of the audit defined by SIGAR:

### Audit Objective 1 - Special Purpose Financial Statement (SPFS)

Express an opinion on whether the Special Purpose Financial Statement for the TAF cooperative agreement presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

### Audit Objective 2 - Internal Controls

Evaluate and obtain a sufficient understanding of TAF's internal controls related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

### Audit Objective 3 – Compliance

Perform tests to determine whether TAF complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

### Audit Objective 4 - Corrective Action on Prior Findings and Recommendations

Determine and report on whether TAF has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

## Scope

The audit scope included the USAID cooperative agreement AID-306-A-13-00001 and related modifications executed for \$2,535,384 in revenues applied to and costs incurred during the period between December 20, 2015 and December 19, 2016 as reported on the SPFS. The audit was limited to those matters pertinent to the agreement that have a direct and material effect on the SPFS and included an evaluation of the presentation, content and records supporting the SPFS. The following areas were included within the audit program for detailed evaluation:

- i. Administrative Procedures and Fraud Risk Assessment

- 
- ii. Budget Management
  - iii. Cash Management
  - iv. Disbursements and Financial Reporting
  - v. Procurement and Inventory Management

Our audit was conducted to form an opinion on the SPFS in accordance with the Statement presentation requirements in Note 2. Therefore:

- The Transmittal Letter to SIGAR and the information presented in the Table of Contents and Summary are presented for informational and organizational content purposes and are not required parts of the SPFS. Such information has not been subject to the auditing procedures applied in the audit of the SPFS, and accordingly, we do not express an opinion or provide any assurance on it.
- The scope of our audit does not include procedures to verify the efficacy of the USAID funded program, and accordingly, we do not express an opinion or provide any assurance on it.

## Methodology

We conducted our audit in accordance with generally accepted auditing standards, and generally accepted government auditing standards as published in the Government Accountability Office's *Government Auditing Standards*. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the SPFS of the costs incurred under the award are free of material misstatement. An audit includes:

- Obtaining an understanding of TAF's internal controls related to the award, assessing control risk, and determining the extent of audit testing needed based on the control risk assessment.
- Examining, on a test basis, evidence supporting the amounts and disclosures presented in the SPFS.

To meet the audit objectives, we prepared an audit plan for the engagement.

For audit objective 1, we reviewed transactions for the period from December 20, 2015 to December 19, 2016 and subsequent events and information that may have a significant impact on the SPFS for the audit period. We used both statistical and judgmental sampling techniques to select direct labor, subcontractor agreement/consultant costs, travel, and other direct cost samples to test for allowability of incurred costs, and reviewed procurement records to determine cost reasonableness. The scope of our audit reflects our assessment of control risk and includes tests of incurred costs to provide a reasonable basis for our opinion.

For audit objective 2, we reviewed applicable background materials, including cooperative agreements, contracts, auditee financial progress reports, USAID regulations, SIGAR's Afghanistan alert letters, audit reports and special program reports, and auditee single

audits, performance audits and/or financial statement audits as made available and provided. We conducted our review to gain a thorough understanding of the control environment. We requested and received supporting documentation for compliance evaluation of incurred costs and gained an understanding of the internal control related thereto. We assessed the control risk for sampling and testing purposes.

For audit objective 3, we performed compliance testing including, but not limited to: determination of allowable costs under Title 2, Part 200 of the Code of Federal Regulations (CFR) cost principles; validation of indirect cost calculations pursuant to a provisional or final negotiated indirect cost rate agreement; testing cash management for funding to ensure it does not exceed the program's immediate cash needs requirements and confirm excess cash has been returned to the US Government; verify incurred cost eligibility; confirm equipment and real property management and disposal in accordance with an approved disposition plan; ensure expenditures comply with the period of availability of the Federal funds; ensure that procurement activities comply with full and open competition standards or provide justification for noncompetitive bids when applicable, and that suspension and debarment of the subcontractor or subrecipient was considered in the award decision; program income is reported and accounted for separately from donor funds; and financial reporting is accurate, timely and complete. In addition, we performed testing to assess and determine any potential fraud, abuse and illegal acts.

For audit objective 4, if prior audits indicated a need for corrective action to be taken by TAF, we ensured through inquiry, observation and testing whether the necessary steps were taken to adequately address those findings and recommendations.

## **Summary of Results**

Our audit of the costs incurred by TAF identified the following matters.

We issued a qualified opinion on TAF's SPFS due to material amount of questioned costs identified during the audit.

We identified \$36,539 in total questioned costs because the costs were either ineligible or unsupported. Ineligible costs are questioned because they are unreasonable, prohibited by the audited cooperative agreement or applicable laws and regulations, or not award related. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered TAF's internal control over financial reporting and performed tests of those controls. We also performed tests of TAF's compliance with certain provisions of the agreement and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed one material weakness in TAF's internal control and noncompliance with cooperative agreement terms, laws and regulations required under *Government Auditing Standards*. Where internal control and noncompliance findings

pertained to the same matter, they were consolidated within a single finding. Please see Independent Auditor's Report on Internal Control on page 14 and Independent Auditor's Report on Compliance on page 16.

The following summary is intended to present an overview of the audit results and is not intended to be a representation of the audit's results in their entirety.

### Summary of Findings and Questioned Costs

| Finding | Description                           | Classification  | Ineligible Cost | Unsupported Cost | Total Questioned Costs (USD) |
|---------|---------------------------------------|---|-----------------|------------------|------------------------------|
| 2019-01 | Noncompliant selection of consultants | Material weakness in internal control and noncompliance | \$36,539        | \$0              | \$36,539                     |

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under Government Auditing Standards. Evidence of such items was not identified during our testing.

### Status of Prior Audit Findings

We requested and researched prior audits, reviews and assessment pertained to TAF activities under this cooperative agreement. We reviewed one prior audit report of the MORE program conducted on behalf of USAID Office of Inspector General (OIG), per report number F-306-17-012-N issued on February 7, 2017. Based on our review, we identified three findings that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Accordingly, we conducted follow-up procedures including discussion with management, reviewed evidence of revised policies, procedures or other applicable recommended actions and performed testing of similar matters during our current audit. As a result, we concluded that TAF has taken adequate corrective action on two findings and we did not observe evidence of those findings during this audit. One additional finding has not been addressed adequately for which we found a similar issue during this audit. Please see Status of Prior Audit Findings and Recommendations on page 20 for a detailed description of the prior audit findings and recommendations.

### Summary of Management Comments

The following represents a summary of the responses provided by TAF to the findings identified in this report. The complete responses received can be found in Appendix A to this report.

TAF disputes finding 2019-01 by reasoning that Federal procurement standards do not require the documentation the auditor said was missing from the selection process and that TAF used the simplified acquisition threshold to secure the services. TAF mentions that substantial value was derived under the principle of “quantum meruit”, which TAF explains involves considering the value of work performed in considering the allowability of consultant contract costs. Further, TAF maintains that the original consultant agreements were awarded competitively and, on that basis, rate quotations were obtained from an adequate number of qualified sources. TAF also noted corrections to the positions mentioned in the finding. Our rebuttal to management comments is detailed in Appendix B of this report.

**Attachments**

The auditor’s reports are supplemented by two attachments:

- Appendix A - Management’s Response to the Finding and Recommendation
- Appendix B - Auditor’s Response to Management Comments.



## **Independent Auditor's Report on the Special Purpose Financial Statement**

Board of Directors  
The Asia Foundation  
465 California Street, 9<sup>th</sup> Floor  
San Francisco, CA 94104

Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)  
2530 Crystal Drive  
Arlington, VA 22202

We have audited the Special Purpose Financial Statement ("the Statement") of The Asia Foundation (TAF) and the related notes to the Statement, with respect to cooperative agreement number AID-306-A-13-00001 for the period December 20, 2015 through December 19, 2016.

### ***Management's Responsibility for the Special Purpose Financial Statement***

Management is responsible for the preparation and fair presentation of this Statement in accordance with the requirements provided by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to TAF's preparation and fair presentation of the Statement in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TAF's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis for Qualified Opinion***

We noted a material weakness in the internal control for consultants selected to work on and charged to the agreement, which contributed to \$36,539 in questioned costs and diminishes TAF's ability to ensure consultant costs charged to the award provide the best value to the United States Agency for International Development (USAID). The total questioned cost amount is considered material to the Statement.

### ***Qualified Opinion***

In our opinion, except for the effects of the \$36,539 in questioned costs noted in the Basis for Qualified Opinion paragraph, the Statement referred to above presents fairly, in all material respects, the revenues earned, costs incurred, and reimbursed, and balances for the indicated period in accordance with the terms of the agreement and in conformity with the basis of accounting described below.

### ***Basis of Accounting***

We draw your attention to Note 2 to the Statement, which describes the basis of accounting. As described in Note 2 to the Statement, the Statement is prepared by TAF on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 28, 2019, on our consideration of TAF's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

### ***Restriction on Use***

Our report is intended solely for the information and use of TAF, USAID and SIGAR, and is not intended to be and should not be used by anyone other than these specified parties.

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Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

*Williams, Adley & Company, DC, LLP*  
Washington, D.C.  
May 28, 2019

**The Asia Foundation**  
**Special Purpose Financial Statement**  
 December 20, 2015 to December 19, 2016

|   | Budget              | Actual             | Questioned Cost |             | Notes <sup>1</sup> |
|---|---------------------|--------------------|-----------------|-------------|--------------------|
|   |                     |                    | Ineligible      | Unsupported |                    |
| <b>Revenues</b>                             |                     |                    |                 |             |                    |
| Cooperative agreement<br>AID-306-A-13-00001 | \$11,353,676        | \$2,535,384        |                 |             |                    |
| <b>Total Revenue</b>                        | <b>\$11,353,676</b> | <b>\$2,535,384</b> |                 |             | <b>3</b>           |
| <b>Costs Incurred</b>                       |                     |                    |                 |             | <b>4</b>           |
| Salary and Wages                            | \$2,137,147         | \$363,372          |                 |             |                    |
| Fringe Benefits                             | 1,841,031           | 174,362            |                 |             |                    |
| Travel and Transportation                   | 388,530             | 144,218            |                 |             |                    |
| Seminars and Conferences                    | 162,816             | 30,089             |                 |             |                    |
| Other Direct Costs                          | 3,442,691           | 794,113            | \$1,451         |             | A                  |
| Sub-agreements/<br>Contractual              | 1,974,329           | 672,528            | 29,943          |             | A                  |
| <b>Total Direct Charges</b>                 | <b>\$9,946,544</b>  | <b>\$2,178,682</b> |                 |             |                    |
| Indirect Charges                            | 1,407,130           | 356,701            | 5,145           |             | A                  |
| <b>Total Costs</b>                          | <b>\$11,353,674</b> | <b>\$2,535,383</b> | <b>\$36,539</b> |             |                    |
| Cost Share <sup>2</sup>                     | 150,800             | 0                  |                 |             |                    |
| <b>Total Costs Incurred</b>                 | <b>\$11,504,474</b> | <b>\$2,535,383</b> |                 |             |                    |
| <b>Outstanding Balance<sup>3</sup></b>      | <b>\$2</b>          | <b>\$1</b>         |                 |             |                    |

<sup>1</sup> The Notes to the Special Purpose Financial Statement are an integral part of the Statement.

<sup>2</sup> The \$150,800 in cost share was incurred prior to the period covered by the Statement.

<sup>3</sup> These balances, which represent the difference between Revenues and Total Costs, are considered immaterial amounts due to rounding costs to whole dollars.

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**The Asia Foundation**  
**Notes to the Special Purpose Financial Statement<sup>4</sup>**

**Note 1. Status and Operation**

The project under audit, AID-306-A-13-00001 Ministry of Women Affairs Organizational Restructuring and Empowerment (MORE), was implemented between the period December 20, 2012 thru December 19, 2016.

The Ministry of Women's Affairs Restructuring and Empowerment (MORE) project was to strengthen the capacity of the Ministry of Women's Affairs (MOWA) to conduct its mandated functions, including policy advocacy on behalf of Afghan women, conducting outreach and public awareness campaigns, providing technical advice to other ministries for implementing the National Action Plan for the Women of Afghanistan (NAPWA) and monitoring that implementation. MORE is a follow-on program to the earlier USAID funded MOWA Initiative to Strengthen Policy and Advocacy (MISPA) activity, which ended in January 2011.

MORE has built upon the success of MISPA, benefiting both from its best practices and lessons learned and focusing on the specific areas identified in the MISPA evaluation and subsequent assessments. In particular, MORE supported two key components of MOWA's National Priority Program (NPP): Component 1, which focuses on institutional reform and capacity building, and Component 5, which deals with public awareness and education, outreach, and media relations. The United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the United Nations Development Program (UNDP) and other donors are supporting the four additional NPP components, which focus on gender training for GIRoA staff, pilot gender mainstreaming projects, and research.

During period under audit, 4 modifications were authorized by USAID, mainly to authorize the budget re-alignments and extension of performance period. The project was since closed in December 19, 2016, all required closeout reports and other documentations were submitted by TAF to USAID though close out is pending finalization of the disputed unallowed costs which are under appeal from the prior OIG audit report no. F-306-17-012-N submitted February 8, 2018.

The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the agreement listed above. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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<sup>4</sup> The Notes to the Special Purpose Financial Statement are the responsibility of TAF's management.

**Note 2. Summary of Significant Accounting Policies****a. Basis of Accounting**

Expenditures reported on the Statement are reported on cash basis of accounting and, therefore, are reported on the modified accrual basis of accounting, which is a basis of accounting other than in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in 2 CFR 200 and 2 CFR 700, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**b. Foreign Currency conversion method**

For purposes of preparing the Statement, conversions from local currency to United States dollars were not required.

**Note 3. Revenues**

Revenues on the Statement represent the amount of funds to which The Asia Foundation is entitled to receive from the United States Agency for International Development for allowable, eligible costs incurred under the Cooperative Agreement during the period of performance. Periodic draws are made from the "Letter of Credit" (LOC) based on the actual expenses incurred for the period of draw.

**Note 4. Cost Categories**

The budget categories presented, and associated amounts reflect the budget line items presented within the final, approved Cooperative Agreement budget adopted as a component of Modification 2 to the Cooperative Agreement dated September 22, 2014. Modification 4 de-obligated \$1.4 million on December 27, 2016, which resulted in a total obligated funding amount of \$11,353,676 for the period December 20, 2012 to December 19, 2016. In addition, the original cooperative agreement included a cost share of \$150,800, which brought the total project funding to \$11,504,476.

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**The Asia Foundation**  
**Notes to the Questioned Costs Presented on the Special Purpose Financial Statement**<sup>5</sup>

**Note A: Questioned Costs – Ineligible Consultant Costs**

Finding 2019-01 questions \$36,539 as TAF was unable to provide documentation to support the reasonableness of consultants hired by the project who were not recommended by the Selection Committee as the best candidates. The identified ineligible costs were charged to other direct labor (\$1,451), subcontract costs (\$29,943) and allocated indirect costs (\$5,145) for the cooperative agreement during the audited period of performance.

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<sup>5</sup> Alphabetic notes to the questioned costs presented on the Special Purpose Financial Statement were developed by and are the responsibility of the auditor



## Independent Auditor's Report on Internal Control

Board of Directors  
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2530 Crystal Drive  
Arlington, VA 22202

We have audited the Special Purpose Financial Statement ("Statement") and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by The Asia Foundation (TAF), under cooperative agreement number AID-306-A-13-00001 for the period December 20, 2015 through December 19, 2016. We have issued our report thereon dated May 28, 2019 with a qualified opinion.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the Statement, we considered TAF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Statement, but not for the purpose of expressing an opinion on the effectiveness of TAF's internal control. Accordingly, we do not express an opinion on the effectiveness of TAF's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TAF's Statement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, material weaknesses may exist that have not been identified. We did note one finding in internal control we consider to be a material weakness as defined above and described as Finding 2019-01 in the Schedule of Findings and Questioned Costs.

### ***The Asia Foundation's Response to the Finding***

TAF's response to the finding identified in our audit is included verbatim in Appendix A. TAF's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of TAF's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TAF's internal control. Accordingly, this communication is not suitable for any other purpose.

### ***Restriction on Use***

This report is intended for the information of TAF, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

*Williams, Adley & Company - DC, LLP*  
Washington, D.C.  
May 28, 2019



## Independent Auditor's Report on Compliance

Board of Directors  
The Asia Foundation  
465 California Street, 9<sup>th</sup> Floor  
San Francisco, CA 94104

Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)  
2530 Crystal Drive  
Arlington, VA 22202

We have audited the Special Purpose Financial Statement ("Statement") and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by The Asia Foundation (TAF), under cooperative agreement number AID-306-A-13-00001 for the period December 20, 2015 through December 19, 2016. We have issued our report thereon dated May 28, 2019 with a qualified opinion.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether TAF's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, cooperative agreements and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. As we performed our testing, we considered whether the information obtained during our testing indicated the possibility of fraud or abuse. The results of our tests disclosed one instance of noncompliance, per finding 2019-01 in the Schedule of Findings and Questioned Costs, which is required to be reported under *Government Auditing Standards*.

### ***The Asia Foundation's Response to the Finding***

TAF's response to the finding identified in our audit is included verbatim in Appendix A. TAF's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

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***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on TAF's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TAF's compliance. Accordingly, this communication is not suitable for any other purpose.

***Restriction on Use***

This report is intended for the information of TAF, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Williams, Adley & Company - DC, LLP  
Washington, D.C.  
May 28, 2019

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## Schedule of Findings and Questioned Costs

### Finding 2019-01: Noncompliant Selection of Consultants

**Nature of Finding:** Material Weakness in Internal Control and Noncompliance

**Condition:** We randomly selected 43 disbursement samples for substantive testing. We determined that The Asia Foundation (TAF) did not follow the consultant selection process outlined within its employee handbook for five samples, which were identified as consultant costs. TAF lacked documentation to support a deviation from the established procedures, which did not comply with federal regulations that require sufficient documentation to detail the history of the procurement.

The five samples represent payment transactions for three consultants. For one consultant, TAF was unable to provide documentation supporting the consultant's selection criteria such as a listing of candidates shortlisted by the selection committee for interviews and the interviewer's assessment of the candidates interviewed, upon which a final determination of hire was to be made. For the other two consultants, we noted that TAF hired the candidates for the positions of Communication Specialist and Communication Consultant. The candidate hired for the position of Communication Specialist was not recommended for hire by the selection committee for a separate position as Deputy Chief of Party nor was evidence presented this individual interviewed for the Communication Specialist role. TAF did not document a justification for the hiring decision. The candidate hired for the position of Communication Consultant was originally interviewed for the position of Communication Specialist for which she was not chosen as the best candidate.

**Criteria:** Per TAF's employee handbook section VI "Recruitment and Selection - 6050 Selection Committees":

"The Asia Foundation Afghanistan policy is that more than one person should be involved in the selection of job candidates in order to ensure transparency and accountability. It is Asia Foundation's Afghanistan policy to convene a Selection Committee to select all short-listed employment candidates, usually three (3) finalists determined by the requesting department. Another Selection Committee is responsible for the interview stage of the recruitment process. TAF/AG requires that the interview committee have gender diversity, including at least one female staff member, a member from HR Department, a member from the hiring unit, and possibly one from another relevant TAF/AG unit."

2 CFR §200.318 (i), General Procurement Standards. "The Non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

2 CFR, §200.403(c), Factors affecting allowability of costs. In order to be allowable a “cost must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity.” 2 CFR, §200.404, Reasonable Costs., “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:... (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.”

**Cause:** According to TAF, the Communication Consultant (Campaign Officer) was selected based on TAF's positive impression of the individual when she applied for the Communication Specialist position and TAF's need to quickly fill the Communication Consultant position. We determined that TAF significantly deviated from its established hiring policies without properly and adequately documenting the rationale for doing so.

**Effect:** The selection process TAF used may have prevented potential consultants from providing the US government with better value and quality for the required services.

**Questioned Costs:** We determined \$36,539 in total ineligible questioned costs consisting of \$31,394 in consultant costs and \$5,145 in associated indirect costs.

| Sample #     | Consultant # | Sampled \$        | Total Paid         | Ineligible Questioned Cost | Indirect Cost Rate | Ineligible Indirect Cost | Total Ineligible Questioned Cost |
|--------------|--------------|-------------------|--------------------|----------------------------|--------------------|--------------------------|----------------------------------|
| 10           | 1            | 17.00             | 1,451.00           | 1,451.00                   | 16.53%             | 239.85                   | \$1,690.85                       |
| 18           | 2            | 3,105.00          | 23,666.00          | 23,666.00                  | 16.53%             | 3,911.20                 | \$27,577.20                      |
| 36           | 2            | 2,984.00          |                    |                            |                    |                          |                                  |
| 23           | 2            | 1,840.00          |                    |                            |                    |                          |                                  |
| 25           | 3            | 1,778.00          | 6,277.00           | 6,277.00                   | 15.84%             | 994.28                   | \$7,271.28                       |
| <b>TOTAL</b> |              | <b>\$9,724.00</b> | <b>\$31,394.00</b> | <b>\$31,394.00</b>         |                    | <b>\$5,145.33</b>        | <b>\$36,539.33</b>               |

**Recommendation:** We recommend that TAF:

1. Follow its own policies and procedures, document its decisions for selecting consultants, and justify any deviations from these policies and procedures as required by federal regulations.
2. Provide USAID with documentation justifying the selection of the three consultants who were not recommended for hire by the selection committee or reimburse USAID \$36,539 that we questioned as ineligible costs.

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### Status of Prior Audit Findings and Recommendations

We requested and researched prior audits, reviews and assessments pertaining to TAF activities under this cooperative agreement. We reviewed one prior audit report of the MORE program conducted by an external auditor on behalf of USAID OIG per audit report number F-306-17-012-N, dated February 7, 2017. Based on our review, we identified three findings that could have a material effect on the Special Purpose Financial Statement or other financial data significant to the audit objectives.

Accordingly, we conducted follow-up procedures including discussion with management, reviewed evidence of revised policies, procedures or other applicable recommended actions and performed testing of similar matters during our current audit. As result, we have concluded that TAF has taken adequate corrective action on two findings and has not taken adequate corrective action on one finding as observed during this audit. See below summary of prior audit findings, corrective action taken and the current status:

**Report:** Financial audit report issued by Davis and Associates, audit report number F-306-17-012-N, issued on February 7, 2017. The report was issued on behalf of USAID OIG and is entitled Audit of Costs Incurred by The Asia Foundation (TAF) under (1) the International Election Observation (IEO), Cooperative Agreement Number AID-306-A-14-00012, for the period August 4, 2014 to January 5, 2015 (closeout); (2) Strengthening Education in Afghanistan (SEA II), Cooperative Agreement Number AID-306-A-14-00008, for the period May 19, 2014 to September 30, 2015; (3) Survey of the Afghanistan People Program, Grant Agreement Number AID-306-G-12-00003, for the period October 11, 2012 to September 30, 2015; and (4) Ministry of Women Affairs Restructuring and Empowerment (MORE), Cooperative Agreement Number AID-306-A-13-00001, for the period July 1, 2014 to December 19, 2015.

**Issue:** *Finding Number 1 – Significant Deficiency in Internal Control – Unsupported Costs:* TAF was not able to provide adequate support such as evidence of procurement competition or sole source selection justification memo at the time of procurement to substantiate the costs as required under OMB Circular A-122. In addition, expenses related to travel insurance and payment to sub-awardee were not completely supported. These issues resulted in questioned cost of \$153,346.66.

**Status:** This finding remains partially open because the internal control deficiency remains an issue. The current audit revealed that TAF selected individuals to provide consultant services without sole source justification memos retained in the files to support the selections, which deviated from the recommendations of the Selection Committee.

**Issue:** *Finding number 2 – Significant Deficiency in Internal Control – Ineligible Costs:* TAF was not aware that overtime payments to contractors, which exceeded the contract ceiling and were not pre-approved, are disallowed for reimbursements. In addition, TAF did not have adequate internal control to discontinue the scholarship funded to resigned employees. These issues led to a total ineligible cost of \$93,423.82.

**Status:** We inquired about the status of this finding with TAF management and obtained evidence that USAID cleared this finding and questioned cost. This matter is not repeated in this audit.

**Issue:** *Finding number 3 – Non-Compliance with Vetting Requirements:* TAF entered into an agreement with its vendor before receiving the proper eligibility notice from USAID; therefore, the amount of \$34,406.20 became a questioned cost.

**Status:** We inquired about the status of this finding and obtained evidence that USAID cleared this finding and questioned cost. We reviewed the vetting process used by TAF and tested contracts for compliance with the vetting requirements. This matter is not repeated in this audit.

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## Appendix A – Management’s Response to the Finding and Recommendation



### The Asia Foundation

Date: July 29, 2019

Cordell Olive, MBA, CPA, CGFM  
Principal, Audit and Assurance Practice  
Williams Adley & Company-DC, LLP  
1030 15<sup>th</sup> Street, NW, Suite 350 West  
Washington, DC 20005

Subject: F-143 Draft Audit Report MORE

Dear Mr. Olive,

Below please find below TAF Management's Response to Finding 2019-01:  
Noncompliant Selection of Consultants.

Williams, Adley & Company, LLP's auditors based its recommended cost disallowance for Noncompetitive Selection of Consultants *solely* on The Asia Foundation lacking "*consultant's selection criteria such as a listing of candidates shortlisted by the selection committee for interviews and the interviewer's assessment of the candidates interviewed.*" Nowhere in 2 CFR 200.318(i), General Procurement Standards, does it mention that such documentation is required to be produced or maintained.

Were it determined that The Asia Foundation possibly varied from its own internal administrative procedures, still the U.S. Agency for International Development received substantial value and benefit from these consultant services under the principle of "*quantum meruit,*" which was applied to USAID cooperative agreements in *U.S. Export Council for Renewable Energy, Assistance Executive Decision, March 8, 1999.* The Assistance Executive in this decision elected to apply:

*"[M]ethodologies involving the consideration of the value of work performed [rather than the evidence of sufficient evidential material], thus taking into account tangible evidence of the services rendered, along with other available documentation in considering the allowability of subcontract and consultant contract costs."*

Moreover, given that the contract value -- \$1,451, \$6,277 and \$23,666 -- of each of these three consultant agreements is well below the Simplified Acquisition Threshold of \$150,000, The Asia Foundation was permitted to use and has had a written policy [per TAF's Procurement Manual which authorized use of simplified acquisition procedures policy] for the use of simplified acquisition procedures, as provided at 2 CFR 200.320(b), which states:

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Tel: [415] 992 4640 | Fax: [415] 392 8863 | [www.asiafoundation.org](http://www.asiafoundation.org)

*"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold [defined at Federal Acquisition Regulation 2.101 as \$150,000]."*

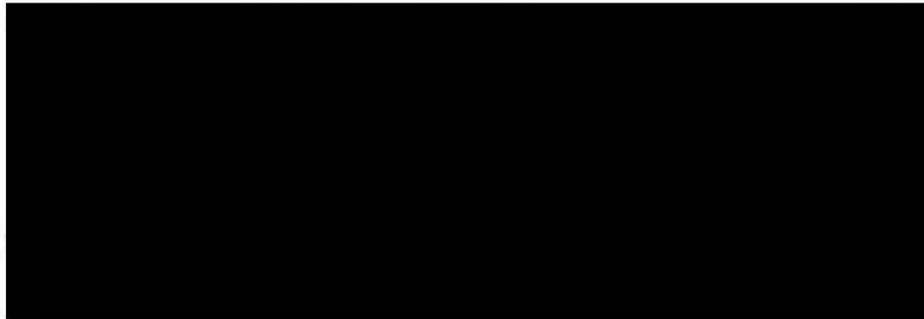
Williams, Adley & Company, LLP's auditors also disregarded the fact that each of these consulting agreements were originally competitively awarded with multiple offerors and prices considered, thus satisfying the second requirement for the use of simplified acquisition procedures:

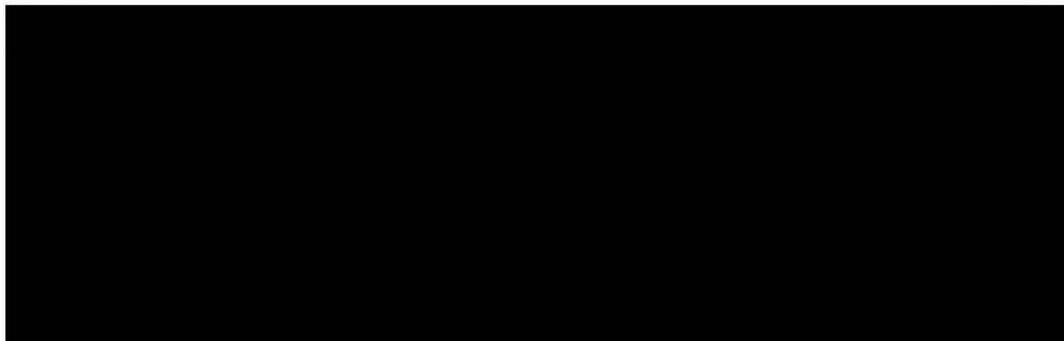
*"If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."*

Furthermore, Williams, Adley & Company, LLP's auditors passed over without referencing 2 CFR 200.323(a), Contract Cost and Price, which exempts The Asia Foundation from performing cost or price analysis *"with every procurement action [below] the Simplified Acquisition Threshold."*

Finally, Williams, Adley & Company, LLP's auditors rely on a highly speculative assertion, without substantiation, that *"TAF may have prevented potential consultants from providing the government with better value and quality for the required services."* It goes without saying, any employee selection decision could be second-guessed after the fact such as Williams, Adley & Company, LLP's auditors have erroneously done here, but The Asia Foundation officers made these consultant selections based on the facts and circumstances known at that time toward producing substantial benefit to the U.S. Agency for International Development on this cooperative agreement – and for all these reasons these costs must remain allowable.

In addition, we would like to highlight a few factual inconsistencies in the audit findings described in the report. These are:





Many thanks for your consideration of these comments.

Yours truly,



Ken Krug  
Vice President, Finance & Chief Financial Officer

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## Appendix B – Auditor’s Response to Management Comments

Williams Adley & Company-DC, LLP (Williams Adley) has reviewed The Asia Foundation’s (TAF’s) management response to the audit findings. In consideration of management views, we have included the following rebuttal to certain matters presented by TAF. A rebuttal has been included in those instances where management disagreed with the facts presented in the finding or otherwise did not concur with our recommendations. TAF disagreed with Finding 2019-01. Williams Adley’s rebuttal to TAF management comments is as follows:

### Finding 2019-01: Noncompliant Selection of Consultants

Management disagreed with Williams Adley’s conclusion that TAF lacked sufficient documentation to support the reasonableness of three consultants hired to fill certain roles and responsibilities under the award. Specifically, TAF asserted that it fulfilled the simplified acquisition requirements under 2 CFR, Part 200 and that our recommended cost disallowance was based solely on the lack of documentation for consultant selection criteria, which, according to TAF, is not required under federal regulations per 2 CFR §200.318(i). TAF also asserted that it made the consultant selections based on “producing substantial benefit” to USAID under the principle of “quantum meruit.” Finally, TAF pointed out what it termed factual inconsistencies in the audit findings relating to the description of two positions TAF sought to fill for Deputy Chief of Party (DCOP) and Communication Specialist. TAF did not mention the MOWA Website Content Development Consultant in its response.

Williams Adley acknowledges evidence was presented that showed one of the consultants whose costs we questioned was evaluated as the third favorite candidate for the DCOP position, but not that the individual was hired for the position. The finding has been updated to reflect the change in position for which he was hired to Communication Specialist. Email evidence was presented that one individual was hired as a Communication Consultant (the term Communication Officer was never mentioned) to temporarily replace the MORE Campaign Officer so that description remains as stated in the finding. TAF’s assertion that it complied with simplified acquisition requirements in determining the consultant selections is not the basis for the finding. The finding is based on TAF’s significant deviation from its established practice in selecting the three consultants (MOWA Website Content Development Consultant, Communication Consultant and Communication Specialist), which is a consideration for determining cost reasonableness and allowability. Further, TAF is required to maintain records to support its selection decision under 2 CFR §200.318(i). In our judgment, TAF did not maintain sufficient records to support the deviation from its standard practice in selecting the three consultants we identified in our finding or how TAF determined the individuals were qualified for the roles they were selected to fill. TAF did not provide evidence in its

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response to support its assertion that “quantum meruit<sup>6</sup>” should be applied to the allowability of the costs. As such, the questioned cost remains as stated.

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<sup>6</sup> Latin for "as much as he has deserved." An equitable remedy that provides restitution for unjust enrichment. Damages awarded in an amount considered reasonable to compensate a person who has provided services in a quasi-contractual relationship. A claim in quantum meruit is usually an action to recover the reasonable value of services rendered by one party to another ([https://www.law.cornell.edu/wex/quantum\\_meruit](https://www.law.cornell.edu/wex/quantum_meruit))

## SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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- Email: [sigar.pentagon.inv.mbx.hotline@mail.mil](mailto:sigar.pentagon.inv.mbx.hotline@mail.mil)
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## Public Affairs

Public Affairs Officer

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