

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 20-08 Financial Audit**

Department of State's Programs for Supporting Livelihoods, Water, Sanitation and Hygiene, and Protection for Afghan Returnees, Internally Displaced Persons, and Vulnerable Host Communities in Afghanistan: Audit of Costs Incurred by the International Rescue Committee Inc.



**NOVEMBER  
2019**

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

Between September 29, 2014, and September 29, 2017, the U.S. Department of State (State) Bureau of Population, Refugees, and Migration awarded four consecutive, 1-year cooperative agreements to the International Rescue Committee Inc. (IRC). These agreements support State programs that aid Afghan returnees, internally displaced people, and host communities in Afghanistan by increasing access to safe water, sustainable livelihoods, sanitation, and hygiene. Together, the agreements totaled \$5,831,170 million and covered a 4-year period from September 29, 2014, through September 28, 2018. State modified these agreements six times, which reduced total funding to \$5,406,179 million, and extended the period of performance for the fourth agreement through October 28, 2018.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$5,290,445 charged to the agreements from September 29, 2014, through September 28, 2018. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in IRC's internal controls related to the agreements; (2) identify and report on instances of material noncompliance with the terms of the agreements and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether IRC has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of IRC's Special Purpose Financial Statement (SPFS). See Conrad'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 wherein Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards.

November 2019

Department of State's Programs for Supporting Livelihoods, Water, Sanitation and Hygiene, and Protection for Afghan Returnees, Internally Displaced Persons, and Vulnerable Host Communities in Afghanistan: Audit of Costs Incurred by the International Rescue Committee Inc.

SIGAR 20-08-FA

### WHAT THE AUDIT FOUND

Conrad's audit identified six significant deficiencies and one deficiency in IRC's internal controls, and seven instances of noncompliance with the terms of the cooperative agreements, applicable laws, and regulations. For example, IRC spent more than it was allowed, per the terms of the cooperative agreement, for program supplies without State's approval. Conrad also tested a sample of IRC employees' timesheets to determine whether the time and costs charged to the cooperative agreements were accurate and allowable. Conrad found that some timesheets were missing the dates and/or lacked evidence of supervisory approval.

As a result of these internal control deficiencies and instances of noncompliance, Conrad identified \$205,833 in questioned costs, consisting of \$86,282 in unsupported costs—costs not supported with adequate documentation or that did not have the required prior approval—and \$119,551 in ineligible costs—costs prohibited by the cooperative agreements, applicable laws, or regulations.

Cost Category	Ineligible	Unsupported	Total Questioned Costs
Salary and Wages	\$0	\$36,247	\$36,247
Fringe Benefits	\$0	\$2,781	\$2,781
Travel	\$0	\$6,734	\$6,734
Equipment	\$0	\$19,662	\$19,662
Program Supplies	\$118,445	\$7,383	\$125,828
Subcontractor Costs	\$389	\$0	\$389
Other Direct Costs	\$673	\$2,419	\$3,092
Indirect Costs	\$44	\$11,056	\$11,100
<b>Totals</b>	<b>\$119,551</b>	<b>\$86,282</b>	<b>\$205,833</b>

Conrad identified three prior reports that did not have any findings, and one IRC internal report that had one finding that could have a material effect on the SPFS. In that finding, Conrad concluded that IRC had taken adequate corrective action in response to the finding and its recommendations. Conrad issued a qualified opinion on IRC's SPFS, noting the total questioned costs of \$205,833 are material to the SPFS.

### WHAT SIGAR RECOMMENDS

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

- 1. Determine the allowability of and recover, as appropriate, \$205,833 in questioned costs identified in the report.**
- 2. Advise IRC to address the report's seven internal control findings.**
- 3. Advise IRC to address the report's seven noncompliance findings.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

November 18, 2019

The Honorable Michael R. Pompeo  
Secretary of State

The Honorable Carol Thompson O'Connell  
Acting Assistant Secretary for Population, Refugees, and Migration

Ambassador John Bass  
U.S. Ambassador to Afghanistan

We contracted with Conrad LLP (Conrad) to audit the costs incurred by the International Rescue Committee Inc. (IRC) under four cooperative agreements issued by the U.S. Department of State (State) Bureau of Population, Refugees, and Migration. The broad objectives of the four agreements were to support Afghan returnees, internally displaced people, and host communities in Afghanistan by increasing access to safe water, sustainable livelihoods, and sanitation, and hygiene.<sup>1</sup> Conrad's audit covered \$5,290,445 charged to the cooperative agreements from September 29, 2014, through September 28, 2018. Our contract with Conrad 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 audit, SIGAR recommends that the responsible agreement officer at State:

- 1. Determine the allowability of and recover, as appropriate, \$205,833 in questioned costs identified in the report.**
- 2. Advise IRC to address the report's seven internal control findings.**
- 3. Advise IRC to address the report's seven noncompliance findings.**

The results of Conrad's audit are discussed in detail in the attached report. We reviewed Conrad'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 IRC's Special Purpose Financial Statement. We also express no opinion on the effectiveness of IRC's internal control or compliance with the cooperative agreement, laws, and regulations. Conrad is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances where Conrad 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-156)

<sup>1</sup> The cooperative agreement numbers are SPRMCO14CA1148, SPRMCO15CA1135, SPRMCO16CA1297, and SPRMCO17CA2183.

**International Rescue Committee (IRC)**

Financial Audit of Costs Incurred Under  
Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
SPRMCO16CA1297; SPRMCO17CA2183  
Supporting Livelihoods, WASH, and Protection for Afghan Returnees and Internally  
Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

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September 12, 2019

Board of Directors  
International Rescue Committee  
New York, New York

Special Inspector General for Afghanistan Reconstruction (SIGAR)  
Arlington, VA

Conrad LLP (referred to as "Conrad" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of International Rescue Committee's ("IRC's") Special Purpose Financial Statement ("SPFS") for costs incurred under the Department of State Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135; SPRMCO16CA1297; and SPRMCO17CA2183 for the period September 29, 2014 through September 28, 2018 to support the Supporting Livelihoods, WASH, and Protection for Afghan Returnees and Internally Displaced People (IDP) and Vulnerable Host Communities Program in Afghanistan.

On May 31, 2019, we provided SIGAR with a draft report reflecting our audit procedures and results. IRC received a copy of the report on August 7, 2019 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and IRC. IRC's responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

Thank you for providing us the opportunity to work with you and to conduct the audit of these IRC Cooperative Agreements.

Sincerely,

A handwritten signature in blue ink that reads "S Perera". The signature is written in a cursive style with a horizontal line underneath the name.

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

**INTERNATIONAL RESCUE COMMITTEE (IRC)**

Financial Audit of Costs Incurred Under

Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135; SPRMCO16CA1297;  
SPRMCO17CA2183

Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
and Internally Displaced People (IDP) and Vulnerable Host Communities Program

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**Background**

Between 2014 and 2018, the Department of State (State), Bureau of Population, Refugees, and Migration (PRM) entered into a series of cooperative agreements with the International Rescue Committee (IRC or Company) to support programs designed to support Afghan returnees, internally displaced people, and host communities by increasing access to safe water, sustainable livelihood opportunities, and protection. The programs include Supporting Livelihoods, Water, Sanitation, and Hygiene (WASH), Protection for Afghan Returnees and Internally Displaced People (IDP) and Vulnerable Host Communities Program. As summarized below, four cooperative agreements were issued starting September 29, 2014 and ending September 28, 2018, with total costs incurred of \$5,290,445 for the period (as a whole referred to as “Cooperative Agreements”).

Some of the objectives include increasing agricultural and livestock productivity activities and strengthening awareness of IDP policy.

Cooperative Agreement No. SPRMCO14CA1148: Supporting Livelihoods, WASH, and Protection for Afghan Returnees and Internally Displaced People (IDP).

Cooperative Agreement No. SPRMCO15CA1135: To continue its program entitled “Supporting Livelihoods, WASH, and Protection for Afghan Returnees and Internally Displaced People (IDP).” This program is intended to improve resilience and protection of the vulnerable populations in the target communities of Helmand and Nangarhar.

Cooperative Agreement No. SPRMCO16CA1297: To continue its program entitled “Supporting Livelihoods, WASH, and Protection for Afghan Returnees and Internally Displaced People (IDP).” IRC shall support Afghan returnees, internally displaced people, and host communities with increased access to safe water, sustainable livelihood opportunities, and their right to protection.

Cooperative Agreement No. SPRMCO17CA2183: To continue “Supporting Livelihoods and Protection for Afghan Returnees, Internally Displaced People (IDP), and vulnerable host communities in Nangarhar, Laghman, Helmand, and Badghis Provinces of Afghanistan.” IRC shall ensure Afghan returnees, IDP’s, and vulnerable host community members in the provinces have the resources and skills to support durable return and achieve self-reliance through protection, access to improved livelihood and market-driven income generation activities, and business trainings.

Cooperative Agreement No.	Original Award			Amended Award		
	Cost (\$)	Start	End	Cost (\$)	End	Total
SPRMCO14CA1148*	\$1,497,132	9/29/2014	9/28/2015	\$1,072,141	No Change	\$1,072,141

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SPRMCO15CA1135	\$1,336,311	9/29/2015	9/28/2016	N/A	N/A	\$1,336,311
SPRMCO16CA1297*	\$1,499,774	9/29/2016	9/28/2017	No Change	No Change	\$1,499,774
SPRMCO17CA2183*	<u>\$1,497,953</u>	9/29/2017	9/28/2018	No Change	10/28/2018	<u>\$1,497,953</u>
<b>Total</b>	<b>\$5,831,170</b>					<b>\$5,406,179</b>

\*Indicates the cooperative agreement was amended: SPRMCO14CA1148 2 times, SPRMCO16CA1297 1 time, and SPRMCO17CA2183 3 times.

The significant of the amendments to the cooperative agreements were for reasons such as, exercising the option years, increasing or decreasing the total award amount, changing the period of performance, and/or administrative changes. For SPRMCO14CA1148, amendment no.2, revised the award requirements to be complied with 2 CFR 200.

IRC is a private, not-for-profit organization that serves refugees and communities victimized by oppression or violent conflict worldwide. IRC helps people whose lives and livelihoods are shattered by conflict and disaster to survive, recover, and gain control of their future. IRC leads the humanitarian field by implementing high-impact, cost-effective programs for people affected by crisis, and by using its learning and experience to shape policy and practice.

**Work Performed**

Conrad LLP (“Conrad”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of International Rescue Committee’s (“IRC”) Special Purpose Financial Statement (“SPFS”) for costs incurred under the Department of State Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135; SPRMCO16CA1297; SPRMCO17CA2183 for the period September 29, 2014 through September 28, 2018. Total costs incurred for the period for all four Cooperative Agreements is \$5,290,445.

**Objectives, Scope, and Methodology**

**Objectives Defined by SIGAR**

The objectives of the audit include the following:

- *Special Purpose Financial Statement (“SPFS”)* – Express an opinion on whether IRC’s SPFS for the Cooperative Agreements presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the Cooperative Agreements and generally accepted accounting principles or other comprehensive basis of accounting.

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- *Internal Controls* – Evaluate and obtain sufficient understanding of IRC's internal controls related to the Cooperative Agreements, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether IRC complied, in all material respects, with the Cooperative Agreements' 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.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether IRC 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 scope of this audit included all costs incurred during the period September 29, 2014 through September 28, 2018 under the Cooperative Agreement Nos. SPRMCO14CA1148, SPRMCO15CA1135, SPRMCO16CA1297, and SPRMCO17CA2183. Our testing of indirect cost was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in each of the Cooperative Agreements and subsequent applicable modifications.

**Methodology**

In order to accomplish the objectives of this audit, we designed our audit procedures to include the following:

**Entrance Conference**

An entrance conference was held via conference call on January 23, 2019. Participants included representatives of Conrad, IRC, SIGAR, and State.

**Planning**

During our planning phase, we performed the following:

- Obtained an understanding of IRC;
- Reviewed the Cooperative Agreements and all amendments;
- Reviewed regulations specific to State that are applicable to the Cooperative Agreements;

## **INTERNATIONAL RESCUE COMMITTEE (IRC)**

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- Performed a financial reconciliation; and
- Selected samples based on our sampling techniques. According to the approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports, and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high or medium to low risk for inclusion in our test of transactions. None of the populations were homogeneous in nature, which means none of the costs are identical in nature, thus statistical sampling was not used. All samples were selected on a judgmental basis. Our sampling methodology for judgmental samples was as follows:
  - For accounts that appeared to contain unallowable and restricted items according to the terms of the Cooperative Agreements, 2 CFR 200, 2 CFR 230 Cost Principles For Non-Profit Organizations (OMB Circular No. A-122), and any other applicable regulations, we tested 100% of the transactions.
  - For related party transactions, we tested 100% of the transactions.
  - High risk cost categories – sample transactions that are greater than \$26,500 not to exceed 30% of the total amount expended for each cost category.
  - Medium risk cost categories – sample transactions that are greater than \$53,000 not to exceed 20% of the total amount expended for each cost category.
  - Low risk cost categories – sample transactions that are greater than \$53,000 not to exceed 10% of the total amount expended for each cost category, and not to exceed 50 transactions in total for all accounts comprising low risk categories.

### Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Cooperative Agreements and the general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Cooperative Agreements, and reasonable.

### Internal Controls Related to the Cooperative Agreements

We reviewed IRC's internal controls related to the Cooperative Agreements. This review was accomplished through interviews with management and key personnel, reviewing of policies and

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procedures, and identifying key controls within significant transaction cycles and testing those key controls.

Compliance with the Cooperative Agreements' Requirements and Applicable Laws and Regulations

We performed tests of transactions to determine whether IRC complied, in all material respects, with the Cooperative Agreements' requirements, Title 2 Part 200: Code of Federal Regulations ("2 CFR 200"), Title 2 Part 230: Code of Federal Regulations (2 CFR 230), and other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Corrective Action on Prior Findings and Recommendations

We requested from IRC, as well as conducted a search online to various governmental websites including SIGAR, State and other federal agencies, to identify previous engagements that could have a material effect on IRC's SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. Our review procedures include a follow-up discussion with management of the corrective action taken, reviewing evidence of revised policies and procedures or other applicable recommended actions, as well as conducting tests of the similar areas surrounding these issues during our current audit. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

Exit Conference

An exit conference was held on May 15, 2019 via conference call. Participants included representatives from Conrad, IRC, SIGAR, and State. During the exit conference, we discussed the preliminary results of the audit and reporting process.

**Summary of Results**

Upon completion of our audit of the costs incurred by IRC under the cooperative agreements with State, we issued a modified opinion on their SPFS, identified seven findings, and \$205,833 in questioned costs. We've summarized the details of these results below. Our 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.

Auditor's Opinion on the SPFS

Conrad issued a modified opinion on the Special Purpose Financial Statement due to the material amount of questioned costs identified during the audit.

We identified \$205,833 in total questioned costs because they were either ineligible or unsupported. Ineligible costs are explicitly questioned because they are unreasonable; prohibited by the audited task

**INTERNATIONAL RESCUE COMMITTEE (IRC)**

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order or applicable laws and regulations; or not award related. Unsupported costs are not supported with inadequate documentation or did not have required prior approvals or authorizations.

Findings and Questioned Costs

The seven findings listed below are categorized as either internal control deficiency and/or noncompliance, and if both were present, they were combined into one finding. Also, internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact to IRC's SPFS.

<b>Finding Number</b>	<b>Nature of Finding</b>	<b>Matter</b>	<b>Ineligible Costs</b>	<b>Unsupported Costs</b>	<b>Cumulative Questioned Cost</b>
2019-01	Noncompliance; Internal Control – Significant Deficiency	Program supplies expenses overran budget by more than 10% without State approval	\$118,445		\$118,445
2019-02	Noncompliance; Internal Control – Significant Deficiency	Timesheets missing date of certification and/or supervisor approval		\$46,216	\$164,661
2019-03	Noncompliance; Internal Control – Significant Deficiency	Lacked evidence for exclusion and anti-terrorist check			\$164,661
2019-04	Noncompliance; Internal Control – Significant Deficiency	Lacked justification to support why certain expenses charged were all allocated to the Cooperative Agreements		\$37,989	\$202,650

**INTERNATIONAL RESCUE COMMITTEE (IRC)**

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2019-05	Noncompliance; Internal Control – Deficiency	Lacked sufficient evidence to support costs incurred	\$433	\$2,077	\$205,160
2019-06	Noncompliance; Internal Control – Significant Deficiency	Alleged fraud incident for Cooperative Agreement No. SPRMCO14CA1148 resulted in an overcharge for rental vehicle costs	\$673		\$205,833
2019-07	Noncompliance; Internal Control – Significant Deficiency	Contractual expenses were misclassified as Program Supplies expenses			\$205,833
<b>Total Questioned Costs</b>			<b>\$119,551</b>	<b>\$86,282</b>	<b>\$205,833</b>

Internal Control Findings

Our audit discovered seven internal control findings, one deficiency and six significant deficiencies. See Independent Auditor’s Report on Internal Control on page 19.

Compliance Findings

The results of our tests disclosed seven instances of noncompliance related to this audit. See the Independent Auditor’s Report on Compliance on page 22.

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 by our testing.

Prior Findings and Recommendations

Based on our requests and search of prior engagements pertinent to IRC’s activities under the programs, we identified one prior engagement that contained one finding that could have a material impact on the SPFS or other financial data significant to the audit objective. We have reviewed the corrective actions taken to address these findings and recommendations. Based on our review, we have concluded that IRC has taken adequate corrective action on this finding and we did not notice a similar finding during this audit. See the section on Status of Prior Audit Findings for a detailed description of the prior findings and recommendations.

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## **Summary of IRC's Responses to Findings**

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

- 2019-01 – IRC states the budget overrun was due to eligible Contractual costs that were miscategorized under Program Supplies. IRC prepared a revised final financial report showing the costs in the proper category which was submitted to Bureau of Population, Refugees, and Migration. IRC also states it had a monitoring system to monitor the budget versus actual expenses incurred.
- 2019-02 – IRC acknowledged the recommendation to add a “date submitted” to their current timesheet template. Nevertheless, IRC points out that timesheets submitted after the pay period can be supported by email trails, which evidenced the submission of timesheets from the staff to HR/finance. The submission process only occurs after the pay period and reports on the days worked in the period completed, which is why the explicit dating was not previously required. IRC disagrees with the specific amount of indirect costs questioned and suggests that it should be \$3,741.13.
- 2019-03 – IRC agrees with the finding.
- 2019-04 – IRC disagrees with the costs questioned under the Equipment, Program Supplies, and Other Direct Cost categories and noted that it has provided all applicable documents justifying why the expenses related to the project, and that the costs were approved in the budget. IRC also disagrees with the indirect costs been questioned and states it should be \$1,732.16. However, for costs questioned under the Travel cost category, IRC agrees some costs should not have been charged to the project.
- 2019-05 - IRC disagrees with the Travel costs questioned under this finding, and states that they have provided all applicable supporting documentation to justify these costs. In addition, IRC disagrees with the indirect costs been questioned and states it should be \$191.48. However, IRC agrees that the costs questioned under the Consultant cost category should not have been charged to the project.
- 2019-06 – IRC did not provide a response to this finding.
- 2019-07 – IRC agrees with the finding.



## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors  
International Rescue Committee  
New York, New York

To the Office of the Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

### Report on the Special Purpose Financial Statement

We have audited the accompanying Consolidated Special Purpose Financial Statement of International Rescue Committee ("IRC") and the related notes to the Consolidated Special Purpose Financial Statement, with respect to the Department of State Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135; SPRMCO16CA1297; SPRMCO17CA2183 of this report, for the period September 29, 2014 through September 28, 2018.

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

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the Special Purpose Financial 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 Special Purpose Financial Statement is free from material misstatement.

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

(Continued)

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Special Purpose Financial 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 the IRC'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 Special Purpose Financial Statement.

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

### **Basis for Qualified Opinion**

We identified several transactions totaling \$205,833 that were questionable based upon our review of the underlying support for the specified transactions. The total questioned cost amount is considered material to the Special Purpose Financial Statement.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by IRC under the Cooperative Agreements Nos. SPRMCO14CA1148; SPRMCO15CA1135; SPRMCO16CA1297; SPRMCO17CA2183 of this report, for the period September 29, 2014 through September 28, 2018, in accordance with the basis of accounting described in Note 3.

### **Basis of Presentation**

We draw attention to Note 2 to the Special Purpose Financial Statement, which describes the basis of presentation. The Special Purpose Financial Statement was prepared by IRC in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction and presents those expenditures as permitted under the terms of four Cooperative Agreements, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Cooperative Agreements referred to above. Our opinion is not modified with respect to this matter.

### **Restriction on Use**

This report is intended for the information of International Rescue Committee, the Department of State, Bureau of Population Refugees and Migration, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about projects and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

(Continued)

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 10, 2019 on our consideration of IRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IRC's internal control over financial reporting and compliance.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, flowing style.

Lake Forest, California  
September 10, 2019

**INTERNATIONAL RESCUE COMMITTEE (IRC)**  
 Financial Audit of Costs Incurred Under  
 Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
 SPRMCO16CA1297; SPRMCO17CA2183  
 Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
 and Internally Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

Special Purpose Financial Statement (Consolidated)

	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Total Questioned Cost</u>	<u>Note</u>
Revenue:						
Four Agreements (Combined)	\$ 5,406,179	\$ 5,290,445	\$ -	\$ -	\$ -	(5)
Total Revenue:	<u>5,406,179</u>	<u>5,290,445</u>	-	-	-	
Cost Incurred:						
Salary and Wages	1,303,282	1,359,837	-	36,247	36,247	(A)
Fringe Benefits	473,710	340,162	-	2,781	2,781	(B)
Travel	70,685	76,714	-	6,734	6,734	(C)
Equipment	112,850	143,410	-	19,662	19,662	(D)
Program Supplies	2,223,974	2,499,620	118,445	7,383	125,828	(E)
Contractual	277,911	168,109	389	-	389	(F)
Other Direct Costs	489,960	236,951	673	2,419	3,092	(G)
Indirect Costs	<u>453,807</u>	<u>465,642</u>	<u>44</u>	<u>11,056</u>	<u>11,100</u>	(H)
Total Cost Incurred	<u>5,406,179</u>	<u>5,290,445</u>	<u>\$ 119,551</u>	<u>\$ 86,282</u>	<u>\$ 205,833</u>	
Outstanding Fund Balance	<u>\$ -</u>	<u>\$ -</u>				(8)

**Note:** Individual SPFS related to each cooperative agreement is included in **Appendix A**.

See Notes to the Special Purpose Financial Statement  
 And Notes to Questioned Costs Presented on the Special Purpose Financial Statement

**INTERNATIONAL RESCUE COMMITTEE (IRC)**  
Financial Audit of Costs Incurred Under  
Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
SPRMCO16CA1297; SPRMCO17CA2183  
Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
and Internally Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

Notes to the Special Purpose Financial Statement<sup>1</sup>

**(1) Background**

IRC is a private, not-for-profit organization that serves refugees and communities victimized by oppression or violent conflict worldwide. IRC helps people whose lives and livelihoods are shattered by conflict and disaster to survive, recover, and gain control of their future. IRC leads the humanitarian field by implementing high-impact, cost-effective programs for people affected by crisis, and by using its learning and experience to shape policy and practice.

The program's goals are to support Afghan returnees, IDP's, and host communities through increased access to safe water, sustainable livelihood opportunities, and protection. Some of the objectives include increasing agricultural and livestock productivity activities and strengthening knowledge of IDP policy.

**(2) Basis of Presentation**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Cooperative Agreement Nos. SPRMCO14CA1148, SPRMCO15CA1135, SPRMCO16CA1297, and SPRMCO17CA2183 to support programs designed to support Afghan returnees, internally displaced people, and host communities by increasing access to safe water, sustainable livelihood opportunities, and protection. The programs include Supporting Livelihoods, Water, Sanitation, and Hygiene (WASH), Protection for Afghan Returnees and Internally Displaced People (IDP) and Vulnerable Host Communities Program for the period September 29, 2014, through September 28, 2018. Because the Statement presents only a selected portion of the operations of IRC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of IRC. 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 these cooperative agreements. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(3) Basis of Accounting**

The SPFS has been prepared from IRC's financial systems that follow the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") whereby revenue is recognized when earned and expenses are recognized when incurred.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of IRC.

**INTERNATIONAL RESCUE COMMITTEE (IRC)**  
Financial Audit of Costs Incurred Under  
Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
SPRMCO16CA1297; SPRMCO17CA2183  
Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
and Internally Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

Notes to the Special Purpose Financial Statement

(Continued)

**(4) Foreign Currency Conversion Method**

For purposes of preparing the Statement, conversions from local currency to United States dollars were not required as all costs presented were in United States dollars and were converted in IRC's accounting system when the transactions were recorded.

**(5) Revenues**

Revenues on the SPFS represent the amount of funds to which International Rescue Committee Inc. is entitled to receive from the US Department of State - Bureau of Population, Refugees & Migration for allowable, eligible costs incurred under the cooperative agreements during the period of performance.

**(6) Revenue Recognition**

Revenue equals actual cost invoiced to State as indicated in the Special Purpose Financial Statement by Budget Category for the following categories: Salaries & Wages, Fringe Benefits, Travel & Transportation, Equipment, Program Supplies, Sub Agreements/Contractual, Other Direct Cost and Indirect Cost.

**(7) Costs Incurred by Budget Category**

The budget categories presented, and associated amounts reflect the budgets presented within the final, State-approved cooperative agreements budgets adopted, including all the modifications for each of the four State cooperative agreements under audit.

**(8) Balance**

There were no outstanding balances presented in the Statement.

**(9) Currency**

All amounts presented are shown in U.S. dollars.

(Continued)

**INTERNATIONAL RESCUE COMMITTEE (IRC)**  
Financial Audit of Costs Incurred Under  
Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
SPRMCO16CA1297; SPRMCO17CA2183  
Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
and Internally Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

Notes to the Special Purpose Financial Statement

(Continued)

**(10) Program Status**

The Supporting Livelihoods and Protection for Afghan Returnees, Internally Displaced People (IDP) and Vulnerable Host Communities Program is complete. The period of performance for the cooperative agreements under scope concluded on October 28, 2018.

**(11) Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to the September 29, 2014 through September 28, 2018 period covered by the SPFS. Management has performed their analysis through September 10, 2019.

(Continued)

**INTERNATIONAL RESCUE COMMITTEE (IRC)**  
Financial Audit of Costs Incurred Under  
Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
SPRMCO16CA1297; SPRMCO17CA2183  
Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
and Internally Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>

**(A) Salaries and Wages**

IRC reported a total Salaries and Wages cost of \$1,359,837 for the period from September 29, 2014 through September 28, 2018.

During our audit of these costs, we noted:

- (1) Timesheets missing date of certification and/or supervisor approval, which results in total unsupported costs of \$34,143. See Finding No. 2019-02 in the Schedule of Findings and Questioned Costs section of this report.
- (2) Timesheet submitted and approved by supervisor prior to month worked, which results in total unsupported costs of \$2,104. See Finding No. 2019-02 in the Schedule of Findings and Questioned Costs section of this report.

As a result of these findings, we questioned a total of \$36,247 of unsupported costs.

**(B) Fringe Benefits**

IRC reported a total Fringe Benefits cost of \$340,162 for the period from September 29, 2014 through September 28, 2018. The unsupported fringe benefit cost associated with the salaries and wages questioned in Note A above totaled \$2,781 are questioned as well. See Finding No. 2019-02 in the Schedule of Findings and Questioned Costs section of this report.

**(C) Travel and Transportation**

IRC reported a total Travel and Transportation cost of \$76,714 for the period from September 29, 2014 through September 28, 2018.

During our audit of these costs, we noted:

- (1) Support provided lacked evidence to justify why incurred travel cost was 100% charged to Cooperative Agreements prior to purchase, resulting in unsupported costs of \$4,816. See Finding No. 2019-04 in the Schedule of Findings and Questioned Costs section of this report.

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<sup>2</sup> The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.

**INTERNATIONAL RESCUE COMMITTEE (IRC)**  
Financial Audit of Costs Incurred Under  
Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
SPRMCO16CA1297; SPRMCO17CA2183  
Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
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For the Period September 29, 2014 through September 28, 2018

Notes to Questioned Costs Presented on Special Purpose Financial Statement

(Continued)

- (2) Lacked evidence/sufficient evidence to support costs incurred, resulting in unsupported costs of \$1,918. See Finding No. 2019-05 in the Schedule of Findings and Questioned Costs section of this report.

As a result of these findings, we questioned a total of \$6,734 of unsupported cost.

**(D) Equipment**

IRC reported a total Equipment cost of \$143,410 for the period from September 29, 2014 through September 28, 2018. During our audit of these costs, we noted for the support provided, there was a lack of evidence to justify why incurred equipment cost was 100% charged to Cooperative Agreements prior to purchase. This resulted in a total unsupported cost of \$19,662. See Finding No. 2019-04 in the Schedule of Findings and Questioned Costs section of this report.

**(E) Program Supplies**

IRC reported a total program supplies cost of \$2,499,620 for the period from September 29, 2014 through September 28, 2018.

During our audit of these costs, we noted:

- (1) An over-budgeted amount of \$118,445 under Cooperative Agreement No. SPRMCO15CA1135 was claimed without State approval, which resulted in a total ineligible cost of \$118,445. See Finding No. 2019-01 in the Schedule of Findings and Questioned Costs section of this report.
- (2) Support provided lacked evidence to justify why incurred program supplies cost was 100% charged to Cooperative Agreements prior to purchase. This resulted in a total unsupported cost of \$7,383. See Finding No. 2019-04 in the Schedule of Findings and Questioned Costs section of this report.

As a result of these findings, we questioned a total of \$7,383 of unsupported cost and \$118,445 of ineligible cost. This resulted in a total questioned cost of \$125,828.

**(F) Contractual**

(Continued)

**INTERNATIONAL RESCUE COMMITTEE (IRC)**  
Financial Audit of Costs Incurred Under  
Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
SPRMCO16CA1297; SPRMCO17CA2183  
Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
and Internally Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

Notes to Questioned Costs Presented on Special Purpose Financial Statement

(Continued)

IRC reported a total Contractual cost of \$168,109 for the period from September 29, 2014 through September 28, 2018. During our audit of these costs, we noted subcontractor's charge of \$389 related to another program in Syria was miscoded and charged to the Cooperative Agreement, which resulted in a total ineligible cost of \$389. See Finding No. 2019-05 in the Schedule of Findings and Questioned Costs section of this report.

**(G) Other Direct Costs**

IRC reported a total other direct cost amount of \$236,951 for the period from September 29, 2014 through September 28, 2018.

During our audit of these costs, we noted:

- (1) Support provided lacked evidence to justify why incurred program supplies cost was 100% charged to Cooperative Agreements prior to purchase. This resulted in a total unsupported cost of \$2,419. See Finding No. 2019-04 in the Schedule of Findings and Questioned Costs section of this report.
- (2) IRC reported an allegation related to an overcharge in rental car costs. This resulted in a total ineligible cost of \$673. See Finding No. 2019-06 in the Schedule of Findings and Questioned Costs section of this report.

As a result of these findings, we questioned a total of \$2,419 of unsupported cost and \$673 of ineligible cost, which resulted in a total questioned cost of \$3,092.

**(H) Indirect Costs**

IRC reported a total indirect cost amount of \$465,642 for the period from September 29, 2014 through September 28, 2018. The indirect costs associated with questioned costs identified in **Notes A through G** above resulted in total ineligible indirect cost of \$44 and total unsupported indirect cost of \$11,056 are being questioned. This resulted in a total questioned indirect cost of \$11,100.

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
International Rescue Committee  
New York, New York

To the Office of the Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

We have audited, 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, the Consolidated Special Purpose Financial Statement ("SPFS" or the "Statement") of International Rescue Committee ("IRC") representing revenues received and costs incurred under four Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135; SPRMCO16CA1297; SPRMCO17CA2183 of this report, with the Department of State Bureau of Population, Refugees, and Migration for the period September 29, 2014 through September 28, 2018, and the related Notes to the Special Purpose Financial Statement, and have issued our report thereon dated September 10, 2019. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

### Internal Control over Financial Reporting

IRC's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the grants; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Note 2 to the Special Purpose Financial Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Special Purpose Financial Statement of IRC for the period September 29, 2014 through September 28, 2018, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing

our opinion on the Special Purpose Financial Statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

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. We identified one finding reported in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-05, which we considered a deficiency.

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 the entity's financial statements 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.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify six findings reported in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-01, 2019-02, 2019-03, 2019-04, 2019-06, and 2019-07, which are considered to be significant deficiencies.

### **IRC's Response to Findings**

IRC's response to the findings identified in our audit is included verbatim in Appendix B. IRC'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 result of that testing, and not to provide an opinion on the effectiveness of the IRC's internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

## Restriction on Use

This report is intended for the information of International Rescue Committee, Department of State, Bureau of Population, Refugees and Migration, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Conrad LLP*

Lake Forest, California  
September 10, 2019



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors  
International Rescue Committee  
New York, New York

To the Office of the Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

We have audited, 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, the Consolidated Special Purpose Financial Statement (Statement) of International Rescue Committee (IRC) representing revenues received and costs incurred under four Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135; SPRMCO16CA1297; SPRMCO17CA2183 of this report, with the Department of State, Bureau of Population, Refugees, and Migration for the period September 29, 2014 through September 28, 2018, and the related Notes to the Special Purpose Financial Statement, and have issued our report thereon dated September 10, 2019. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

### Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the Cooperative Agreements and corresponding amendments are the responsibility of IRC management.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether IRC's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Cooperative 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. Evidence of possible fraud or abuse was not indicated by our testing, except as noted in Finding 2019-06 in the Schedule of Findings and Questioned Costs. The results of our tests disclosed six instances of noncompliance or other matters that are required to be

(Continued)

- 22 -

reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-01, 2019-02, 2019-03, 2019-04, 2019-05, and 2019-07.

### **IRC's Response to Findings**

IRC's response to the findings identified in our audit is included verbatim in Appendix B. IRC'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 compliance, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

### **Restriction on Use**

This report is intended for the information of International Rescue Committee, Department of State, Bureau of Population, Refugees and Migration and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, flowing style.

Lake Forest, California  
September 10, 2019

**INTERNATIONAL RESCUE COMMITTEE (IRC)**  
Financial Audit of Costs Incurred Under  
Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
SPRMCO16CA1297; SPRMCO17CA2183  
Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
and Internally Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

Schedule of Findings and Questioned Costs

**Finding 2019-01: Program supplies expenses overran budget by more than 10% without State approval**

**Nature of Finding:** Non-Compliance; Internal Control – Significant Deficiency

**Condition:** For Cooperative Agreement No. SPRMCO15CA1135 actual costs reported in the SPFS for the Program Supplies category exceeded the approved budget by \$252,076 (see SPFS in Appendix A, page 42). The approved budget for Program Supplies is \$442,678, while expenses reported on the SPFS is \$694,754, resulting in \$252,076 excess of the budget. The excess amount exceeds the 10% of the total approved budget of \$1,336,311 or \$133,631 ceiling amount permitted by the cooperative agreement. As a result, \$118,445 (\$252,076 - \$133,631) or 18.86% of budget over-run required State approval, but IRC did not obtain State's approval for this over-run.

**Criteria:** Per DoS award # SPRMCO15CA1135, Section 15.D – *Prior Approval Requirements and Revision of Budget and Program Plans*, states, in part:

“The transfer of funds among direct cost categories or programs, functions and activities for which the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total approved budget (see 2 CFR 200.308(e)) requires prior approval by the GO by way of amendment.”

2 CFR 200.308(e), Revision of budget and program plans, states, in part:

“The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for Federal awards in which the Federal share of the project exceeds the Simplified Acquisition Threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency. The Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation.”

IRC's Finance Policy, Chapter 03, *Finance Function*, states, in part:

The Finance functional responsibilities encompass the following key functions:

3. Budget functions – Grants, Operating Budget and Cash Budgets, and monitoring expenditures against approved budgets

IRC's Procurement Manual for International Program states, *Purchase Requisition Review Process*, in part:

"Only three signatures are required on the PR (requestor, budget holder, finance review)...

...The budget holder is the person responsible for expenditure in a particular grant budget or budget line for specific project. The budget holder must ensure that all expenditures made and procurement requested comply with donor rules and regulations."

**Cause:** IRC exceeded its budget because it does not have an adequate monitoring system to track budget versus actual to ensure that costs do not exceed the approved budget. In addition, IRC erroneously misclassified Contractual costs as Program Supplies costs, which contributed to this overage, see Finding 2019-07 for further detail.

**Effect:** Costs incurred that exceed the Government's approved budget may increase the risk that the Government's intended program purposes and goals are not achieved, and could result in ineligible costs.

**Questioned Costs:** The total ineligible costs of \$118,445, with no associated indirect costs.

**Recommendation:**

- 1) IRC should either obtain State's approval of the \$118,445 cost overrun or return \$118,445 of ineligible costs.
- 2) We recommend IRC implement a tracking and monitoring system that monitors costs versus budgets for each cost category to ensure cost incurred under each cost category does not exceed the budget.

## **Finding 2019-02: Timesheets missing date of certification and/or supervisor approval**

**Nature of Finding:** Non-Compliance; Internal Control – Significant Deficiency

**Condition:** Conrad judgmentally selected four pay periods, which contained 116 timesheets to determine if the time reported and costs incurred charges to the Cooperative Agreement were accurate and allowable. 105 of the 116 timesheets tested had exceptions resulting in \$39,028 in questioned payroll and associated fringe costs. The details are as follows:

- for 102 timesheets, the date when the time was entered or approved was missing from either the employee and/or the supervisor;
- for 2 timesheets, supervisor approval was missing; and,
- for 1 timesheet, the employee submitted the timesheet on the 1<sup>st</sup> day of the August prior to the month worked and the supervisor approved the timesheet on that same day.

**Criteria:** According to IRC's timekeeping policy,

The IRC Approved HR Policy in Afghanistan, Section 5.6.3 Timesheet Policy states "Completed timesheets must be approved by an employee's supervisor and submitted to HR for review no later than the last working day of the month."

In addition, 2 CFR 200.430, Compensation-personal services, states the following:

“(a) *General*...Costs of Compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;

(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and

(3) Is determined and supported as provided in paragraph (1) of this section, Standards for Documentation of Personnel Expenses, when applicable.”

In addition, 2 CFR 230, Cost Principles For Non-Profit Organizations (OMB Circular No. A-122), Appendix B, Paragraph 8.M, *Support of Salaries and wages*, states, in part:

“(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization...

(a) The reports must reflect an after-the fact determination of the actual activity of each employee...

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the

employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports...”

**Cause:** IRC did not have an effective timekeeping policy in place that can clearly demonstrate time entered and approved was accurate. IRC timekeeping policy does not require employees to document the date of preparation of timesheets and supervisors to document the date of approval of timesheets.

**Effect:** Improperly prepared and approved timesheets raises the risk of fraudulent time charged to the program and unallowable costs charged to the Government.

**Questioned Costs:** Total unsupported costs of \$46,216, of which \$7,188 represent associated indirect costs.

**Recommendation:**

- 1) We recommend IRC provide evidence that the time entered was accurate, after the period end, and properly approved by the supervisor, or return \$46,216 of questioned costs to State.
- 2) We recommend IRC revise their timekeeping policy and implement a procedure that requires employees and supervisors to document the date along with their signature on their manual timesheets.

## **Finding 2019-03: Lacked evidence for Exclusion and Anti-terrorist check**

**Nature of Finding:** Non-Compliance; Internal Control – Significant Deficiency

**Condition:** Conrad judgmentally selected 107 Program Supplies, 5 Sub-Agreements, and 63 Other Direct Costs expenses to test if IRC conducted exclusion and/or anti-terrorist checks prior to purchase with vendors. During our testing, we noted IRC could not provide evidence of the exclusion and/or anti-terrorist check for 17 of the 107 sampled invoices. Of the 17 exceptions, 6 related to the Program Supplies cost, 1 to Contractual cost, and 10 to Other Direct costs, and all were in-country vendor purchases. Conrad conducted a review of exclusion and anti-terrorist check on the vendors related to these 17 invoices and did not find any of the vendors were either excluded or a terrorist. As such, no costs are been questioned.

**Criteria:** In accordance 2 CFR 200, Appendix II, Section I - *Contract Provisions for Non-Federal Entity Contracts Under Federal Awards*, states, in part:

"(I) Debarment and Suspension - A contract award (see 2 CFR 180.220) must not be made to parties listed on the government-wide Excluded Parties List System in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR Part 1986 Comp., p. 189) and 12689 (3 CFR Part 1989 Comp., p.235), "Debarment and Suspension." The Excluded Parties List System in SAM contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549."

Furthermore, The U.S. Department of State Standard Terms and Conditions, Provision XXXII, *Blocking Property and Prohibiting Transactions who Commit, Threaten To Commit, or Support Terrorism* Executive Order 13224, states:

"Executive Order 13224 designated certain individuals and entities that commit or pose a significant risk of committing terrorist acts and authorized the Secretary of state to designate additional individuals and entities.

The Order also authorized the Secretary of the Treasury to designate additional individuals and entities that provide support or services to, are owned or controlled by, act for or on behalf of, or are "otherwise associated with," an individual or entity who has been designated in or under the order. All property and interests in property of the individual or entity in the United States or in the possession or control of United States persons are blocked. The order prohibits all transactions and dealings in blocked property or interests in the United States or by United States persons, and also prohibits transactions with, and provision of support for, individuals or entities listed in or subject to the Order.

Non-Federal entities should be aware of Executive Order 13224 and the names of the individuals and entities designated thereunder. A list of these names can be found in the exclusions section of the SAM.gov. The web site is: <http://www.sam.gov>.

Non-Federal entities are reminded that U.S. Executive Order and U.S. laws prohibit transactions with, and the provision of resources and support to, individuals and

organizations associated with terrorism. It is the legal responsibility of the non-Federal entity/contractor to ensure compliance with these Executive Orders and laws."

In accordance with IRC's Procurement Manual for International Programs, *Section 10.5 Anti-Terrorism Compliance*, states in part:

"IRC's Anti-Terrorism Compliance (ATC) Policy ensures that IRC is in compliance with U.S. Anti-Terrorism laws and regulations. These laws prohibit IRC from supporting or transacting with prohibited entities and individuals, anyone associated with terrorism, or anyone on the U.S. Department of the Treasury's Office of Foreign Assets Control's (OFAC) List of Specially Designated Nationals and Blocked Persons (SDN List). It is the responsibility of Supply Chain to ensure that ATC checks are submitted for suppliers as required. Anti-terrorism Compliance for Suppliers is required in the following situations:

Ad-hoc Suppliers – for suppliers with whom you will spend over \$2,500 annually (e.g. approximately \$300/month), and must be performed prior to transaction.

IRC Procurement Manual for International Program, Section 13, *Documentation and Filing*, states, in part:

"Clear documentation is the only means that the IRC has of demonstrating to donors and auditors that funds are being used responsibly.

Any deviation from standard policy or procedure must be documented with a signed (at minimum by the Supply Chain Coordinator) explanatory "note to the file".

Full supporting documentation will answer any question that an auditor or external examiner may raise, without the necessity of referring to Supply Chain or Finance staff...

...As with all auditable IRC documentation, files will be retained for seven years, or longer if required per in-country policy...

### **13.3 MPA or Contracted Supplier Files**

A complete Contracted Supplier File will include the following documents:

- Signed Contract
- Completed, Approved Supplier Information Form
- Signed Statement of Eligibility (Included on Supplier Information Form, Appendix P42)
- Business registration documentation
- Anti-Terrorism Check Receipt + Due Diligence Results
- Committee Review Minutes
- All Supplier offers
- Signed Tender/RFP Documents
- Bid analysis signed by committee members

- MPA checklist signed by DDO or Supply Chain Coordinator...

**Cause:** IRC in-country staff did not follow IRC's documentation and filing procedures, and as a result, they could not locate the exclusion check supporting documentation for the 17 samples in question. Additionally, IRC in-country management did not monitor their staff's adherence to their documentation and filing requirements as there was no such specific policy requirement.

**Effect:** IRC's inability to provide the evidence of exclusion or anti-terrorist checks resulted in raising the risk that Federal funds might be used in support of terrorist activities.

**Questioned Costs:** None

**Recommendation:**

- (1) We recommend IRC conduct training for in-country staff on performing and maintaining evidence of exclusion and anti-terrorist checks as required by IRC's documentation and filing policies.
- (2) We recommend IRC develop an internal control procedure requiring a periodic management review of IRC's in-country staff's adherence to the documentation and retention policy for exclusion and anti-terrorist checks.

## **Finding 2019-04: Lacked justification to support why certain expenses charged were all allocated to the Cooperative Agreements**

**Nature of Finding:** Noncompliance; Internal Control – Significant Deficiency

**Condition:** Conrad judgmentally selected 107 Program Supplies, 16 Equipment, 10 Travel and Transportation, and 63 Other Direct costs transactions from the Cooperative Agreements. Tests were performed on these samples to ensure IRC's charges to the Cooperative Agreements were supported, reasonable, allocable, and allowable.

For 11 of the 196 samples tested, the purchases were for general office expenses, such as beds, a table, and an electric generator. These office expenses were made available to in-country staff who served on multiple USG grants, contracts, and other IRC programs. In addition, 5 of the 196 samples tested were for travel related expenses, such as visas for employees who worked in the field office under multiple USG awards. In all, 16 samples tested were purchases utilized by in-country staff across multiple USG award, yet all the costs were charged and 100% allocated to the Cooperative Agreements. IRC could not provide evidence to justify allocating 100% to the Cooperative Agreements, when only part of those costs incurred might be used to achieve the Cooperative Agreements objectives.

### **Criteria:**

2 CFR 200.405, *Allocable Costs*, states, in part:

"(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principals in this subpart."

2 CFR 200.404, *Reasonable Costs*, states:

"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:..."

...(c) Market prices for comparable goods or services for the geographic area.

(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.

(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."

2 CFR 200.403, Factors affecting allowability of costs, further states:

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...
- ...(g) Be adequately documented...”

**Cause:** IRC stated that the Cooperative Agreements’ approved budget justified allocating 100% of the general office and travel purchases to the four cooperative agreements, thus they did not need to allocate these costs to other USG awards. IRC did not have adequate policy, procedures, and controls in place requiring that it document its review and justification of general expenses to determine whether they are 100% allocable to the program.

**Effect:** IRC might have erroneously charged the Cooperative Agreements for costs that related to multiple USG awards and other IRC programs. This could increase the risk that USG funds under each of the effected awards are not used for the intended purpose.

**Questioned Costs:** The total unsupported costs of \$37,989, of which \$3,709 represent the associated indirect costs.

**Recommendation:**

- 1) We recommend that IRC provide evidence and sufficient justification to demonstrate that these costs were 100% related to the Cooperative Agreements, or return \$37,989 of unsupported cost.
- 2) We recommend that IRC develop adequate policy, procedures, and controls to document their review and justification for general expenses that are 100% allocable to the program.

## **Finding 2019-05: Lacked sufficient evidence to support costs incurred**

**Nature of Finding:** Non-Compliance; Internal Control – Deficiency

**Condition:** Conrad judgmentally selected 10 Travel and Transportation costs to test if costs incurred were supported, reasonable, allocable, and allowable to the Cooperative Agreements. For all the samples tested, IRC could not provide supporting documentation to substantiate the allowability of the \$1,918 in charges to the Cooperative Agreements. A summary of these 10 exceptions are as follows:

- 4 out of 10 no documentation (e.g. signed travel voucher) to support manager approval prior to travel;
- 2 out of 10 no documentation, (e.g. signed travel voucher) to support the flight class purchased;
- 1 out of 10 no documentation (e.g. Field Visit Report) to verify personnel physically attended the event that the travel was authorized for; and,
- 3 out of 10 100% of the airfare was charged to the program without supporting authorization to exceed the allocation of 40% or 50% prescribed by the field visit report.

Additionally, Conrad judgmentally selected five contractual expenses under the Contractual cost category to test if costs incurred were supported, reasonable, allocable, and allowable. For one of the five samples tested, IRC erroneously charged \$389 to the Cooperative Agreements for costs associated with a separate award related a program in Syria.

**Criteria:** 2 CFR 200.403, Factors affecting allowability of costs, further states:

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306 Cost sharing or matching paragraph (b).”
- (g) Be adequately documented.

IRC Procurement Manual for International Program, Section 13, *Documentation and Filing*, states, in part:

“Clear documentation is the only means that the IRC has of demonstrating to donors and auditors that funds are being used responsibly.

Any deviation from standard policy or procedure must be documented with a signed (at minimum by the Supply Chain Coordinator) explanatory “note to the file”.

Full supporting documentation will answer any question that an auditor or external examiner may raise, without the necessity of referring to Supply Chain or Finance staff...

...As with all auditable IRC documentation, files will be retained for seven years, or longer if required per in-country policy.”

IRC Travel Policy, section 13.5, *Reporting of Reimbursable Expenses*, states, in part:

“Travelers shall have approved expenses reimbursed upon submission of a completed Travel Expense Report (TER) including supporting receipts. The TER is approved by the traveler’s supervisor and then sent to Accounts Payable for processing...”

IRC Procurement Manual for International Program, Section 13, *Documentation and Filing*, states, in part:

“Clear documentation is the only means that the IRC has of demonstrating to donors and auditors that funds are being used responsibly.

Any deviation from standard policy or procedure must be documented with a signed (at minimum by the Supply Chain Coordinator) explanatory “note to the file”.

Full supporting documentation will answer any question that an auditor or external examiner may raise, without the necessity of referring to Supply Chain or Finance staff...

...As with all auditable IRC documentation, files will be retained for seven years, or longer if required per in-country policy...

### **13.3 MPA or Contracted Supplier Files**

A complete Contracted Supplier File will include the following documents:

- Signed Contract
- Completed, Approved Supplier Information Form
- Signed Statement of Eligibility (Included on Supplier Information Form, Appendix P42)
- Business registration documentation
- Anti-Terrorism Check Receipt + Due Diligence Results
- Committee Review Minutes
- All Supplier offers
- Signed Tender/RFP Documents
- Bid analysis signed by committee members

□ MPA checklist signed by DDO or Supply Chain Coordinator...

**Cause:** IRC did not properly retain its records in accordance with retention requirement specified in its record retention policy. Additionally, for one sample, IRC's in-country staff coded a consultant travel charge to these Cooperative Agreements when it related to another USG award. Management did not review the entry for accuracy.

**Effect:** The lack of sufficient evidence for costs claimed resulted in Government overpaying goods and services as well as increasing the risk of abusing Federal funds by charging goods and services that might not have been incurred.

**Questioned Costs:** The ineligible costs of \$433, and unsupported costs of \$2,077 for a total of \$2,510, of which \$203 represent associated indirect cost.

**Recommendation:**

- 1) We recommend that IRC provide the appropriate source documentation to properly substantiate that the costs claimed were allowable, or return \$2,510 to State of questioned costs.
- 2) We recommend that IRC provide training to its entire staff to ensure they adhere to IRC's documentation and filing requirements.
- 3) We recommend that IRC improve its management review control to ensure all expenses are properly charged to the correct program.

**Finding 2019-06: Alleged fraud incident for Cooperative Agreement No. SPRMCO14CA1148 resulted in an overcharge for rental vehicle costs**

**Nature of Finding:** Non-Compliance; Internal Control – Significant Deficiency

**Condition:** IRC was alerted by its staff regarding this incident in June 2016 and started this investigation from June 2016 through November 2017. IRC’s investigation results noted that the transactions affecting this program were incurred during May through September of 2015. The official fraud incident report was sent to the State on June 26, 2018. IRC conducted an investigation and reported an allegation to State that two of the IRC vehicle rental companies in Afghanistan were affiliated with IRC’s Finance Controller’s nephew. The rates charged by these two companies were approximately 21-22% above the average, or competitive market rate. As a result, IRC concluded that they overcharged \$673 to Cooperative Agreement No. SPRMCO14CA1148.

During June 2018, through April 2019, IRC and State discussed how to resolve this issue, and in April 2019, State informed IRC to refund the payment. This was after IRC’s preparation of its SPFS, as such this amount was included was included in the SPFS.

**Criteria:** Per IRC Global Reporting Guidelines, states in part:

“... The IRC expects all employees to maintain the highest standards of ethical conduct and to ensure their and IRC’s compliance with all applicable laws and accounting principles. Any accounting fraud or other fiscal impropriety is strictly prohibited...”

2 CFR 200.113 *Mandatory disclosures*, states, in part:

“The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award...”

**Cause:** IRC did not have sufficient management oversight over its field office staff and the operations to ensure all staff were following their code of conduct and maintaining the highest ethical behavior.

**Effect:** Federal funds have been overcharged and resulted in ineligible costs claimed.

**Questioned Costs:** The total ineligible costs of \$673, with no associated indirect costs.

**Recommendation:** There is no further recommendation as during our review of prior audit findings and recommendations, we noted adequate corrective actions were in place to address this finding. See Status of Prior Audit Findings section of this report.

## **Finding 2019-07: Contractual expenses were misclassified as Program Supplies expenses**

**Nature of Finding:** Non-Compliance; Internal Control – Significant Deficiency

**Condition:** For Cooperative Agreement No. SPRMCO15CA1135, IRC erroneously classified \$127,409 of its Contractual expenses into the Program Supplies expense category. This error was identified during our follow up with IRC relating to the budget over-run finding stated in 2019-01. IRC stated that the reason for the budget over-run was primarily due to these misclassified contractual costs.

IRC provided detailed transactional information from their accounting system, and demonstrated that these expenses were contract related. Further, IRC submitted a revised final financial status report to the donor requesting the reclassification of these contractual expenses from the Program Supplies expense category to the Contractual expense category. We reviewed these two items and found no questioned costs.

**Cause:** The IRC finance department did not accurately record these financial transactions according to its finance policy. In addition, it appears that IRC finance department did not have adequate review process in place to ensure financial transactions entered were properly recorded in the correct expense category.

**Criteria:** 2 CFR 200.302, Financial Management, states, in part:

“...(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation...

(5) Comparison of expenditures with budget amounts for each Federal award...”

IRC’s Finance Policy, Chapter 03, *Finance Function*, states, in part:

The Finance functional responsibilities encompass the following key functions:

3. Budget functions – Grants, Operating Budget and Cash Budgets, and monitoring expenditures against approved budget;
4. Compliance – Funds are spent in accordance with IRC and donor requirements and Regulation.
5. Reporting – Ensure that financial reporting is accurate, timely, and with complete Documentation.

**Effect:** Misclassifying expenses led to inaccurate budget and resulted in overrunning budget by more than 10%.

**Questioned Costs:** No costs were questioned as a result of this finding.

**Recommendation:**

We recommend that IRC provide training to its finance department to ensure financial transactions are properly recorded in the correct cost category. IRC should develop additional controls to conduct a secondary review to ensure transactions are recorded in the accurate cost category.

**INTERNATIONAL RESCUE COMMITTEE (IRC)**  
Financial Audit of Costs Incurred Under  
Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
SPRMCO16CA1297; SPRMCO17CA2183  
Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
and Internally Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

### **Status of Prior Audit Findings**

We requested from IRC, SIGAR, State, and conducted additional research for any prior engagements including audits, reviews, and evaluations pertinent to IRC's activities. Four reports were identified, three reports were financial statements audit conducted by KPMG on "International Rescue Committee, Inc. and Subsidiaries Consolidated Financial Statements and Supplementary Information on Federal Awards Programs" for fiscal years ended in September 30, 2015, 2016, and 2017. One report was issued by the IRC Ethics and Compliance Unit (ECU) "*Investigation Report for Donor, ECU Case #489/536*", dated June 26, 2018.

The three KPMG reports did not have any findings. The one IRC internal report contained one finding related to fraud that could have material effect on the SPFS and other financial data significant to the audit objectives. The IRC internal report finding is summarized below.

#### **Report: "Investigation Report for Donor, ECU Case #489/536", dated June 26, 2018**

We have reviewed IRC's corrective actions through a follow-up discussion with IRC's management, reviewing revised policies and procedures or other corrective actions, and conducted sample-based testing. The finding and status of corrective actions are listed below:

**Issue:** IRC reported an allegation IRC's Finance Controller two of the IRC vehicle rental companies in Afghanistan were affiliated with the Finance Controller's nephews. The rates charged by these two companies were approximately 21-22% above average, or the competitive market rate. As a result, IRC identified that they overcharged Cooperative Agreement No. SPRMCO14CA1148 by \$673. IRC stated that the three remaining cooperative agreements under audit were not affected. The report also identified the following:

1. The Finance Controller does not possess requisite English language capabilities.
2. The Finance Controller colluded with the former Senior Program Advisor to channel IRC contracts to a company owned by the former Senior Program Advisor.
3. The Finance Controller engages in nepotism.

**Status:** At the conclusion of IRC's investigation, IRC:

- submitted a report of the incident to State in June 2018 and refunded the overcharged amount in April 2019 to State;
- terminated the Afghanistan based Finance Controller;
- terminated their contracts with the two vehicle rental companies, and initiated a Master Service Agreement for all mission rental vehicles with one rental contractor via the competitive bidding process; and,
- re-educated its field staff the importance of adherence to IRC code of conduct and fraud reporting process.

We verified that IRC took these corrective actions through our interviews with IRC's Chief Ethics and Compliance Officer, and review of supporting documentation (e.g., contracts, termination agreements, etc.). In addition, during our sample-based testing we did not identify any similar issues, and this finding was not repeated. Based on the procedures performed, IRC took appropriate corrective action.

**INTERNATIONAL RESCUE COMMITTEE (IRC)**

Financial Audit of Costs Incurred Under  
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For the Period September 29, 2014 through September 28, 2018

## Special Purpose Financial Statement

**Cooperative Agreement – SPRMCO14CA1148 – GB647**  
**September 29, 2014 to September 28, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Note</u>
Revenue:					
Revenue	\$ <u>1,072,141</u>	\$ <u>1,072,141</u>	\$ _____ -	\$ _____ -	
Total Revenue:	<u>1,072,141</u>	<u>1,072,141</u>	_____ -	_____ -	
Cost incurred:					
Salary and Wages	296,696	321,284	-	7,051	(A)
Fringe Benefits	108,102	112,470	-	196	(B)
Travel	21,806	21,773	-	1,918	(C)
Equipment	39,220	56,070	-	2,842	(D)
Program Supplies	237,362	252,067	-	7,383	(E)
Contractual	155,411	164,356	-	-	
Other Direct Costs	131,376	61,953	673	1,618	(G)
Indirect Costs	<u>82,168</u>	<u>82,168</u>	_____ -	<u>2,583</u>	(H)
Total Cost Incurred	<u>1,072,141</u>	<u>1,072,141</u>	\$ <u>673</u>	\$ <u>23,591</u>	
Outstanding Fund Balance	\$ _____ -	\$ _____ -			

**Cooperative Agreement – SPRMCO15CA1135 – GB664  
September 29, 2015 to September 28, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Note</u>
Revenue:					
Revenue	\$ 1,336,311	\$ 1,336,311	\$ _____ -	\$ _____ -	
Total Revenue:	<u>1,336,311</u>	<u>1,336,311</u>	_____ -	_____ -	
Cost incurred:					
Salaries and Wages	339,150	323,798	-	11,163	(A)
Fringe benefits	122,636	68,322	-	299	(B)
Travel	15,897	18,206	-	600	(C)
Equipment	36,880	44,115	-	-	
Program Supplies	442,678	694,754	118,445	-	(E)
Contractual	122,500	1,341	-	-	
Other Direct Costs	141,638	70,843	-	405	(G)
Indirect Costs	<u>114,932</u>	<u>114,932</u>	_____ -	<u>2,464</u>	(H)
Total Cost Incurred	<u>1,336,311</u>	<u>1,336,311</u>	\$ 118,445	\$ 14,931	
Outstanding Fund Balance	<u>\$ _____ -</u>	<u>\$ _____ -</u>			

**Cooperative Agreement – SPRMCO16CA1297 – GB697  
September 29, 2016 to September 28, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Note</u>
Revenue:					
Revenue	\$ 1,499,774	\$ 1,499,774	\$ -	\$ -	
Total Revenue:	<u>1,499,774</u>	<u>1,499,774</u>	<u>-</u>	<u>-</u>	
Cost Incurred:					
Salary and Wages	321,746	296,052	-	10,219	(A)
Fringe Benefits	126,526	80,562	-	1,908	(B)
Travel	20,140	17,350	-	1,141	(C)
Equipment	1,800	5,005	-	1,750	(D)
Program Supplies	771,049	918,807	-	-	
Contractual	-	676	389	-	(F)
Other Direct Costs	129,522	52,331	-	396	(G)
Indirect Costs	<u>128,991</u>	<u>128,991</u>	<u>44</u>	<u>2,094</u>	(H)
Total Cost Incurred	<u>1,499,774</u>	<u>1,499,774</u>	<u>\$ 433</u>	<u>\$ 17,508</u>	
Outstanding Fund Balance	<u>\$ -</u>	<u>\$ -</u>			

**Cooperative Agreement – SPRMCO17CA2183 – GB717  
September 29, 2017 to September 28, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Note</u>
Revenue:					
Revenue	\$ 1,497,953	\$ 1,382,219	\$ _____ -	\$ _____ -	
Total revenue:	<u>1,497,953</u>	<u>1,382,219</u>	_____ -	_____ -	
Cost incurred:					
Personnel	345,690	418,703	-	7,814	(A)
Fringe Benefits	116,446	78,808	-	378	(B)
Travel	12,842	19,385	-	3,075	(C)
Equipment	34,950	38,220	-	15,070	(D)
Program Supplies	772,885	633,992	-	-	
Contractual	-	1,736	-	-	
Other Direct Costs	87,424	51,824	-	-	
Indirect Costs	<u>127,716</u>	<u>139,551</u>	_____ -	<u>3,915</u>	(H)
Total Cost Incurred	<u>1,497,953</u>	<u>1,382,219</u>	\$ _____ -	\$ <u>30,252</u>	
Outstanding Fund Balance	<u>\$ _____ -</u>	<u>\$ _____ -</u>			

**INTERNATIONAL RESCUE COMMITTEE (IRC)**

Financial Audit of Costs Incurred Under  
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Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
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For the Period September 29, 2014 through September 28, 2018

IRC's Response to the Findings

Included on the following pages is IRC's response received to the findings identified in this report.

## **Management Response to Findings and Recommendations**

### **Finding 2019-01: Program Supplies Expenses Overran Budget by More than 10% Without State Approval**

IRC kindly notes that the costs noted as excess program supplies expense to budget overrun is due to incorrect of the costs under program supplies instead of the correct category of contractual. These costs are eligible contractual expenses, that were budgeted and approved by PRM under the contractual category. IRC prepared a revised final financial report showing the costs in the proper category which was submitted to PRM on May 6,2019 and was shared with the auditors on May 9,2019.

The auditors had noted that IRC demonstrated that these expenses were related to the contract category and found no questioned costs.

IRC has a monitoring system (BvA (budget v actual) System) that provides budget holders with timely visibility on budget vs actuals. The BvA System is available for all projects with uploaded budgets in the accounting system. IRC will continue to train budget holders on providing feedback on variances in their financial reports to ensure corrections are posted timely.

### **Finding 2019-02: Timesheets missing date of certification and/or supervisor approval**

IRC notes the recommendation of the addition of the “date submitted” requirement to the global template for the time & effort reports.

The evidence that the timesheets are submitted after the pay period can be provided showing email trails of the submission of documents from staff to HR/finance. The current submission process only occurs after the pay period and reports on the days worked in the period completed which is why the explicit dating has not been previously required.

IRC notes the amount of ICR reflected in the finding should be corrected to \$3,741.13

### **Finding 2019-03: Lack of evidence for Exclusion and Anti-terrorist check**

IRC will train the country office staff on the required supporting documentation for payments and ensure they are aware of and adhering to the document requirement policies.

IRC’s Internal Audit team as well as Global Supply Chain Quality Assurance teams conduct periodic reviews of the adherence to the ATC check requirement which would be considered the internal control in place.

### **Finding 2019-04: Lacked Justification to Support Why Certain Expenses Charged Were Allocated to the Cooperative Agreements**

IRC notes that all applicable documents supporting the allocations to Cooperative Agreements grants were provided to the auditors. IRC has adequate policies, procedures and controls to justify the costs associated with each project. This includes identifying the applicability of the cost at the initial stage

through the submission of purchase request that is initiated and reviewed by budget holders, finance and country program management.

Please find below additional justification for each category of questioned cost and the relationship to the PRM project:

**Program Supplies: \$7,383.46**

These costs are related to the PRM funded mobile skills trainings for business startup kits. 45 beneficiaries received as per the distribution list provided to the auditors. This is in line with approved activities and project outcomes for the PRM project.

**Equipment: \$19,662**

**Tablets**

These tablets were used to collect data from the beneficiaries for PRM project.

**Generator**

This generator is used for the Bagdis field office where the federal funding presented the largest funding for the office. IRC followed, donor regulations in procuring this item, including required approvals.

**IT equipment**

This equipment has been procured for Badghis field office IT upgrade and maintenance and were used directly by PRM staff.

**Beds for guest house**

This is a contribution by PRM to the furniture in the guest house to provide accommodation to field based PRM staff, instead of using hotels, when they come to Kabul for coordination /meetings/reports.

**Other Direct Cost: \$2,419**

**Power back up system**

This cost is related to a power backup that is specific for Economic Wellbeing Program team and it was dedicated only to PRM program office.

**Phone**

This Telephone handset was directly used by the PRM project manager for easy communication and coordination during implementation of the grant.

**Vehicle operation and maintenance**

This cost is related to an IRC back up car used by direct project staff to attend child protection cluster coordination meetings at the ministry in Kabul. These staff are Sr. Reporting Officer, Sr. Program Officer, WASH Project Manager, Deputy Program Coordinator & Program Coordinator who are working specifically on the PRM project

**Travel: \$4,816**

**Travel cost for CHRISTOPHER RYAN (\$955.88 for items C5 and C10):** IRC notes that this cost was erroneously charged 100% to the PRM project while the charge should have been 40% based on the travel field report. An amount of \$573.53 will be reimbursed to PRM.

IRC HQ provides self-service travel booking platform. With that system, once the itinerary is chosen, the approving manager will receive notification of the booking and will be required to approve the request via email. This process eliminates the physical signed travel vouchers.

**Visa cost for Country Director (\$600):** IRC notes that this cost was erroneously charged 100% to the PRM project, while the charge should have been 20% based on the shared cost methodology. An amount of \$480 will be reimbursed to PRM.

**Stewart/Crystal Travel \$2,519.51:** IRC notes that this cost was erroneously charged 100% to the PRM project. while the charge should have been 50% based on the travel field report. An amount of \$1,259.76 will be reimbursed to PRM.

**Travel CHRISTOPHER RYAN \$1,141.19:** IRC notes that this cost was erroneously charged to the PRM project and will be reimbursed to PRM.

Note also the ICR calculation provided by the auditors related to this finding requires correcting. The corrected ICR should be 1,732.16

#### **Finding 2019-05: Lacked sufficient evidence to support costs incurred**

IRC notes that all applicable documents supporting the allocations to PRM grants were provided to the auditors. IRC has adequate policies, procedures and controls to justify the costs associated with each project. This includes identifying the applicability of the cost at the initial stage through the submission of Purchase Request that initiated and reviewed by budget holders, finance and country program management as applicable.

Please find below additional justification for each questioned cost:

#### **Travel - \$1,917.63**

The comment on travel noted signed vouchers were not provided. Physical travel vouchers are only for national staff not utilizing the HQ provided self-service travel booking platform. With that system, once the itinerary is chosen, the approving manager will receive notification of the booking and will be required to approve the request via email. This process eliminates the physical signed travel vouchers.

On the travel cost allowability, per IRC travel policy the only class of service IRC travelers are authorized to book is coach/economy class.

#### **Consultant charges - \$389.**

IRC notes that this cost was erroneously charged to the PRM project and will be reimbursed to PRM.

Note also the ICR calculation provided by the auditors related to this finding requires correcting. The corrected ICR should be 191.48

#### **Finding 2019-07: Contractual expenses were misclassified as Program Supplies expenses**

IRC acknowledges that the contractual expenses were mis-reported as program supplies. These are allowable contractual expenses and were budgeted under the contractual category. A revised final

financial report showing the proper category has been submitted to PRM on May 6,2019 and was shared with the auditors on May 9, 2019 to correct the financial report presentation.

**INTERNATIONAL RESCUE COMMITTEE (IRC)**

Financial Audit of Costs Incurred Under  
 Cooperative Agreement Nos. SPRMCO14CA1148; SPRMCO15CA1135;  
 SPRMCO16CA1297; SPRMCO17CA2183  
 Supporting Livelihoods, WASH, and Protection for Afghan Returnees  
 and Internally Displaced People (IDP) and Vulnerable Host Communities Program

For the Period September 29, 2014 through September 28, 2018

## Auditor's Rebuttal to IRC's Response to the Findings

IRC agreed with Finding 2019-03 and 2019-07 and disagreed or partially disagreed with Findings 2019-04 and 2019-05. IRC did not clearly state if they agree or disagree with Findings 2019-01 and 2019-02 and did not provide a response to Finding 2019-06. We have reviewed IRC's responses and provided the following rebuttals:

- 2019-01 - IRC states the budget overrun was due to eligible Contractual costs that were incorrectly categorized as Program Supplies. IRC prepared a revised final financial report showing the costs in the proper category which was submitted to Bureau of Population, Refugees, and Migration. IRC also states it had a monitoring system in place to monitor the budget versus actual expenses incurred.

Auditor's Rebuttal: IRC did provide a copy of the revised final financial report that was submitted to Bureau of Population, Refugees, and Migration for the auditor's review. However, this occurred after the finding was identified by the auditor during the audit. Also, IRC did not provide Bureau of Population, Refugees, and Migration's official approval of the revised final financial report. In addition, IRC stated it did have a budget versus actual monitoring system. However, this system did not appear to be working effectively or the budget overrun issue would have been detected. As such, our finding, questioned costs, and recommendations remain unchanged.

- 2019-02 – IRC acknowledged the recommendation to add a “date submitted” to their current timesheet template. Nevertheless, IRC points out that timesheets submitted after the pay period can be supported by email trails, which evidenced the submission of timesheets from the staff to HR/finance. The submission process only occurs after the pay period and reports on the days worked in the period completed, which is why the explicit dating has not been previously required. In addition, the indirect costs associated with the questioned amount should be \$3,741.13.

Auditor's Rebuttal: IRC's prior practice for timesheet date certification, as mentioned in their response, is not an adequate system to prove timesheets were completed and approved at the end of the period. Submitting a timesheet report is not the same as certifying that the timesheet was completed and approved at the period end. Further, as stated in our finding, one of the timesheet's tested was completed, submitted, and approved in the beginning of the period, and before the pay period ended. The indirect cost amount was based on the applicable NICRA rates respective to each questioned transaction. IRC did not provide additional support for their questioned indirect costs calculation of \$3,741.13 versus our calculation of \$7,188. As such, our finding, questioned costs, and recommendations remain unchanged.

- 2019-04 - IRC disagrees with the costs questioned under the Equipment, Program Supplies, and Other Direct Cost categories and noted that it has provided all applicable documents justifying why the expenses related to the project, and that the costs were approved in the budget. IRC also disagrees with the indirect costs been questioned and states it should be \$1,732.16. However,

for costs questioned under the Travel cost category, IRC agrees some costs should not have been charged to the project.

Auditor's Rebuttal: The evidence provided by IRC supporting these transactions in question was insufficient to demonstrate how these expenses were 100% related to the project. As stated in the finding, all transactions questioned under the Equipment, Program Supplies, and Other Direct Costs cost categories, appeared to be general office expenses because the IRC field offices in Afghanistan operated multiple USG awards. One example was IRC's purchase of a generator. IRC explained this generator was used by IRC's Badghis field office, where IRC operated multiple USAID and other USG funded projects; however, 100% of this generator's cost was charged to the project. Furthermore, IRC's response did not provide any additional support to justify the 100% charges to the project.

IRC did not provide additional support for their questioned indirect cost calculation of \$1,732.16. For this finding, we calculated the associated indirect cost amount of \$3,709 based on the applicable NICRA rates respective to all transactions in question. As such, our finding, questioned costs, and recommendations remain unchanged.

- 2019-05 - IRC disagrees with the travel transactions been questioned under this finding and states that it had provided all applicable supporting documentation to justify the costs questioned under the Travel cost category. IRC states that signed physical travel vouchers are only required for national staff who do not utilize the HQ provided self-service travel booking platform. With that system, once the itinerary is chosen, the approving manager will receive notification of the booking and will be required to approve the request via email. For the travel class, IRC states it is their policy that only coach/economy class can be booked. In addition, the indirect costs associated with the questioned amount should be \$191.48. However, for costs questioned under the Consultant cost category, IRC agrees the costs should not be charged to the project.

Auditor's Rebuttal: For the Travel questioned costs, IRC did not provide the email approval nor a signed voucher demonstrating the manager approved the travel, as mentioned in their response. In addition, although IRC's policy required only travel class of coach/economy, the evidence provided did not support whether the traveler had followed travel class requirements.

IRC did not provide additional support for their questioned indirect cost calculation of \$191.48. For this finding, we calculated the associated indirect cost amount of \$203 based on the applicable NICRA rates respective to all transactions in question. As such, our finding, questioned costs, and recommendations remain unchanged.

## 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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## To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
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- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
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## Public Affairs

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