

SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR 20-36 Financial Audit

USAID's Sustaining Health Outcomes through the Private Sector Plus Program in Afghanistan: Audit of Costs Incurred by Abt Associates Inc.

In accordance with legal requirements, SIGAR has redacted certain information deemed proprietary or otherwise sensitive from this report.



APRIL
2020

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 23, 2015, the U.S. Agency for International Development (USAID) awarded a 5-year, \$149,980,950 cooperative agreement to Abt Associates Inc. to support the Health Private Sector Flagship Improving Health Outcomes through the Private Sector Program. A modification changed the name of the program to Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) Program. The program's objective is to engage the private sector in improving health outcomes in areas such as maternal and child health, and family planning in developing countries. Under the cooperative agreement, Abt Associates Inc. was obliged to contribute \$37,495,237 in cost sharing. Sixteen modifications provided incremental funding and increased the total amount provided for Afghanistan from \$0 to \$10,000,000. The period of performance remained from October 1, 2015, through September 30, 2020.

SIGAR's financial audit, performed by Davis Farr LLP, reviewed \$3,405,283 in costs, which included \$600,958 in cost sharing charged to the cooperative agreement from January 1, 2018, through December 31, 2018. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Abt's internal controls related to the cooperative agreement; (2) identify and report on instances of material noncompliance with the terms of the cooperative agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Abt has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Abt's Special Purpose Financial Statement (SPFS). See Davis Farr's report for the precise audit objectives.

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

April 2020

USAID's Sustaining Health Outcomes through the Private Sector Plus Program in Afghanistan: Audit of Costs Incurred by Abt Associates Inc.

SIGAR 20-36-FA

WHAT SIGAR FOUND

Davis Farr did not identify any material weaknesses or significant deficiencies in Abt's internal controls, or any instances of noncompliance with the terms and conditions of the cooperative agreement. Accordingly, Davis Farr did not identify any questioned costs.

Davis Farr did not identify any prior findings or recommendations from previous audit reports that warranted follow-up.

Davis Farr issued an unmodified opinion on Abt's SPFS, noting that it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

Davis Farr did not report any findings related to the Sustaining Health Outcomes through Private Sector Plus (SHOPS+) Program in Afghanistan. Therefore, SIGAR is not making any recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

April 13, 2020

The Honorable John Barsa
Acting Administrator, U.S. Agency for International Development

Mr. Peter Natiello
USAID Mission Director for Afghanistan

We contracted with Davis Farr to audit the costs incurred by Abt Associates Inc. under a U.S. Agency for International Development cooperative agreement to support the Sustaining Health Outcomes through the Private Sector (SHOPS+) Plus Program in Afghanistan. The program is intended to, among other activities, improve maternal and child health and family planning across the country. Davis Farr's audit covered \$3,405,283 in costs that Abt Associates, Inc. incurred from January 1, 2018, through December 31, 2018. Our contract with Davis Farr required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Davis Farr did not report any findings related to the audit of the SHOPS+ Program in Afghanistan. Therefore, SIGAR is not making any recommendations.

The results of Davis Farr's audit are in the attached report. We reviewed Davis Farr'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 Abt's Special Purpose Financial Statement. We also express no opinion on the effectiveness of Abt's internal control or compliance with the task order, laws, and regulations. Davis Farr is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances where Davis Farr did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-174)

ABT ASSOCIATES, INC.

Financial Audit of Costs Incurred Under
Cooperative Agreement No. AID-OAA-A-15-00067
Sustaining Health Outcomes through the
Private Sector Plus (SHOPS+) – Afghanistan

For the Period January 1, 2018 through December 31, 2018

ABT ASSOCIATES, INC.

Financial Audit of Costs Incurred Under
Cooperative Agreement No. AID-OAA-A-15-00067
Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) – Afghanistan

For the Period January 1, 2018 through December 31, 2018

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March 27, 2020

Enclosed is the final report on the financial audit of costs incurred by Abt Associates, Inc. (Abt) under Cooperative Agreement Number AID-OAA-A-15-00067 for the Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) – Afghanistan. The audit covers the period January 1, 2018 through December 31, 2018.

Included within the final report is a summary of the work performed, our report on the Special Purpose Financial Statement, report on internal control and report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback and interpretations from Abt, the Special Inspector General for Afghanistan Reconstruction and the U.S. Agency for International Development. There were no findings or questioned costs identified as a result of our audit.

Sincerely,

DAVIS FARR LLP



Marcus D. Davis, CPA
Partner

ABT ASSOCIATES, INC.

Financial Audit of Costs Incurred Under
Cooperative Agreement No. AID-OAA-A-15-00067
Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) – Afghanistan

For the Period January 1, 2018 through December 31, 2018

Background

On September 23, 2015, the U.S. Agency for International Development (USAID) awarded Cooperative Agreement No. AID-OAA-A-15-00067 (Cooperative Agreement) to Abt Associates, Inc. (Abt) to support the Health Private Sector Flagship (HPSF) – Improving Health Outcomes through the Private Sector Program. The name of this program was changed in Modification 2 to Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) Program. SHOPS+ was intended to engage the private sector in improving health outcomes in family planning, Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS), maternal and child health, and other health needs in developing nations. SHOPS+ supports the Afghan Social Marketing Organization (ASMO), a non-governmental organization that promotes maternal and child health and family planning, to **strengthen SHOPS+'s impact and sustainability. SHOPS+ uses total market approaches in Afghanistan to increase access to and use of priority health products and services, improve efficiency and equity in the health system, and sustain the ASMO.**

The Cooperative Agreement was awarded in the original amount of \$149,980,950 plus \$37,495,237 in cost sharing. The original Cooperative Agreement did not provide any funding for Afghanistan. The period of performance was from October 1, 2015 through September 30, 2020. The Cooperative Agreement was modified 16 times through December 11, 2018. Within these modifications, the total award amount remained unchanged at \$149,980,950 plus \$37,495,237. Of this total, the amount provided for Afghanistan was increased to \$10,000,000. The cost sharing is not detailed at the country level, but remained a global cost sharing requirement.

Our audit procedures reviewed \$3,405,283 in costs, which includes \$600,958 of cost sharing, for the period January 1, 2018 through December 31, 2018.

According to **Abt's** website and information provided by SIGAR, Abt is a for-profit company that was founded in 1965 to provide research, consulting and technical assistance services for clients in the fields of social policy, clinical trials, economic and health policy, international development, research and evaluation, data collection and management and strategy planning. Abt employs approximately 3,000 persons globally.

Work Performed

Davis Farr LLP (Davis Farr) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of Abt's Special Purpose Financial Statement (SPFS) for the period January 1, 2018 through December 31, 2018. Total costs reported by Abt and subject to audit during this period were \$3,405,283, which includes \$600,958 in cost sharing.

ABT ASSOCIATES, INC.

Financial Audit of Costs Incurred Under
Cooperative Agreement No. AID-OAA-A-15-00067
Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) – Afghanistan

For the Period January 1, 2018 through December 31, 2018

Objectives, Scope, and Methodology

Objectives Defined by SIGAR

The objectives of the audit include the following:

- *Special Purpose Financial Statement (SPFS)* – Express an opinion as to whether Abt’s **SPFS** for the Cooperative Agreement presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the Cooperative Agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain a sufficient understanding of Abt’s **internal control** related to the Cooperative Agreement; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether Abt complied, in all material respects, with the Cooperative Agreement 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 Abt 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 the actual costs incurred of \$3,405,283, which includes \$600,958 of cost sharing. The period of performance of the Cooperative Agreement is not yet complete. Our testing of the indirect cost rates was limited to verifying that the rates were calculated using the negotiated indirect cost rates approved by USAID.

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 October 8, 2019. Participants included representatives of Davis Farr, Abt, SIGAR and USAID.

Planning

During our planning phase, we performed the following:

ABT ASSOCIATES, INC.

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Cooperative Agreement No. AID-OAA-A-15-00067
Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) – Afghanistan

For the Period January 1, 2018 through December 31, 2018

- Obtained an understanding of Abt;
- Reviewed the Cooperative Agreement and all modifications to date;
- Reviewed sections of the 2 CFR Part 200 and 2 CFR Chapter VII, Part 700, as applicable to the Cooperative Agreement;
- Performed a financial reconciliation; and
- Selected samples based on our approved 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, moderate or low risk for inclusion in our test of transactions. All samples were selected on a judgmental basis. Our sampling methodology was as follows:
 - For accounts that appear to contain unallowable and restricted items according to the terms of the Cooperative Agreement, 2 CFR Part 200, 2 CFR Chapter VII Part 700 and any other applicable regulations, we sampled 100% of the transactions.
 - For high risk cost categories, we sampled transactions greater than \$14,000, and additional transactions below \$14,000 to ensure that at least 50% of the total amount expended for each cost category was sampled.
 - For moderate risk categories, we sampled transactions that are greater than \$28,000, and additional transactions below \$28,000 to ensure at least 20% of the total amount expended for each cost category was sampled.
 - For low risk categories, we sampled transactions to ensure at least 15% of the total amount expended for each cost category was sampled. No sample was selected for indirect costs as we tested the proper application of the indirect cost rates. This included reviewing the approved **indirect cost rates to ensure that Abt's** invoices did not exceed these rates.

Internal Control Related to the SPFS

We reviewed Abt's internal controls related to the SPFS. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. We corroborated internal controls identified by Abt and conducted testing of select key controls to understand if they were implemented as designed and operating effectively.

Compliance with Cooperative Agreement Requirements and Applicable Laws and Regulations

We reviewed the Cooperative Agreement and modifications and documented all compliance requirements that could have a direct and material effect on the SPFS. We assessed inherent and

ABT ASSOCIATES, INC.

Financial Audit of Costs Incurred Under
Cooperative Agreement No. AID-OAA-A-15-00067
Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) – Afghanistan

For the Period January 1, 2018 through December 31, 2018

control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance with the Cooperative Agreement requirements and laws and regulations.

Corrective Action on Prior Findings and Recommendations

We reached out to SIGAR, Abt and USAID and requested all reports from previous engagements, as well as searched publicly available information for other reports that could have a material effect on the SPFS. If previous engagements indicated a need for corrective action to be taken, we ensured through inquiry, observation and/or testing whether the necessary steps were taken to adequately address those findings and recommendations. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Cooperative Agreement, modifications and 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 Agreement and reasonable. If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Partner as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

Exit Conference

An exit conference was held on February 18, 2020 via conference call. Participants included representatives from Davis Farr, Abt, SIGAR and USAID. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

Summary of Results

Our audit of the costs incurred by Abt under the Cooperative Agreement with USAID identified the following results.

Auditor's Opinion on SPFS

We issued an unmodified opinion on the fairness of the presentation of the SPFS. **There were no findings or questioned costs identified as a result of the audit.**

ABT ASSOCIATES, INC.

Financial Audit of Costs Incurred Under
Cooperative Agreement No. AID-OAA-A-15-00067
Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) – Afghanistan

For the Period January 1, 2018 through December 31, 2018

Summary of Findings and Questioned Costs

There were no findings or questioned costs identified as a result of the audit.

Internal Control Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered Abt's **internal control** over financial reporting and performed tests of those controls. The results of our tests disclosed no internal control weaknesses required to be reported under *Government Auditing Standards*. See **Independent Auditor's Report on Internal Control** on page 12.

Compliance Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of its compliance with certain provisions of the Cooperative Agreement and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed no instances of **noncompliance related to this audit**. See **Independent Auditor's Report on Compliance** on page 14.

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.

Review of Prior Findings and Recommendations

We requested from Abt, SIGAR and USAID copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to Abt's **activities under this** Cooperative Agreement. Two prior reports were provided to us for review. None of these reports contained any findings and recommendations which are direct and material to the SPFS. See the Status of Prior Findings on page 16 for a detailed description of the prior findings and recommendations.

Summary of Abt's Responses

There were no findings identified as a result of this audit. Abt reviewed the report and declined to provide any management comments.

INDEPENDENT AUDITOR'S REPORT
ON SPECIAL PURPOSE FINANCIAL STATEMENT

Abt Associates, Inc.
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2530 Crystal Drive
Arlington, Virginia 22202

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of Abt Associates, Inc. (Abt) under Cooperative Agreement Number AID-OAA-A-15-00067 (Cooperative Agreement) with the United States Agency for International Development (USAID) to support the Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) Program for the period January 1, 2018 through December 31, 2018, and the related notes to the Special Purpose Financial Statement.

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 cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for preparation of the Special Purpose Financial Statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements (including the Special Purpose Financial Statement) that are 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 entity's preparation and fair presentation of the 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 entity's internal control. Accordingly, we express no such opinion.** An audit also includes evaluating the appropriateness of accounting policies

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2530 Crystal Drive
Arlington, Virginia 22202

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 audit opinion.

Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by Abt under the Cooperative Agreement for the period January 1, 2018 through December 31, 2018 in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the Special Purpose Financial Statement, which describes the basis of accounting. The Special Purpose Financial Statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of Abt, USAID, 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 USC 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 27, 2020 on our consideration of Abt'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 Abt's internal control over financial reporting and compliance.



Irvine, California
March 27, 2020

ABT ASSOCIATES, INC.
 Cooperative Agreement No. AID-OAA-A-15-00067
 Sustaining Health Outcomes through the
 Private Sector Plus (SHOPS+) - Afghanistan

Special Purpose Financial Statement

For the Period January 1, 2018 through December 31, 2018

	Budget	Actual	Questioned Costs			Notes
			Ineligible	Unsupported	Total	
Revenues:						
AID-OAA-A-15-00067	<u>\$ 10,000,000</u>	<u>\$ 2,635,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(3)
Total revenues	<u>10,000,000</u>	<u>2,635,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Burden	-	██████████	-	-	-	(4)
Communications and IT	-	██████████	-	-	-	
Consultants	-	13,790	-	-	-	
Foreign allowances	-	36,586	-	-	-	
Government property	-	2,744	-	-	-	
Materials	-	57,910	-	-	-	
Other costs	-	39,500	-	-	-	
Printing	-	657	-	-	-	
Site operations	-	16	-	-	-	
Standard regular labor	-	92,028	-	-	-	
Standard site labor	-	89,907	-	-	-	
Subcontractors	-	2,123,590	-	-	-	
Temporary regular labor	-	3,060	-	-	-	
Travel	-	35,898	-	-	-	
Total costs incurred	<u>10,000,000</u>	<u>2,804,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	(5)
Outstanding fund balance	<u>\$ -</u>	<u>(168,498)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(6)

See Notes to Special Purpose Financial Statement

ABT ASSOCIATES, INC.

Financial Audit of Costs Incurred Under
Cooperative Agreement No. AID-OAA-A-15-00067
Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) – Afghanistan

Notes to Special Purpose Financial Statement¹

For the Period January 1, 2018 through December 31, 2018

(1) Background

On September 23, 2015, the U.S. Agency for International Development (USAID) awarded Cooperative Agreement No. AID-OAA-A-15-00067 (Cooperative Agreement) to Abt Associates, Inc. (Abt) to support the Health Private Sector flagship (HPSF) Improving Health Outcomes through the Private Sector Program. The name of this program was changed in Modification 2 to Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) Program. SHOPS+ is intended to engage the private sector in improving health outcomes in family planning, Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS), maternal and child health, and other health needs in developing nations. SHOPS+ supports the Afghan Social Marketing Organization (ASMO), a non-governmental organization that promotes maternal and child health and family planning, to strengthen **SHOPS+'s impact and sustainability**. **SHOPS+ uses total market** approaches in Afghanistan to increase access to and use of priority health products and services, improve efficiency and equity in the health system, and sustain the ASMO.

The Cooperative Agreement was awarded in the original amount of \$149,980,950 plus \$37,495,237 in cost sharing. The initial obligated Federal share was \$3,700,000. The period of performance was from October 1, 2015 through September 30, 2020. The Cooperative Agreement was modified 16 times through December 11, 2018. The purpose of the modifications was to change the name of the program and to provide incremental funding.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred for the SHOPS+ - Afghanistan Program for the period January 1, 2017 through December 31, 2018. Because the SPFS presents only a selected portion of the operations of Abt, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Abt. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is specific to the aforementioned Cooperative Agreement.

Basis of Accounting

Abt has prepared the SPFS on the basis of cash receipts and disbursement. Accordingly, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Such expenses are recognized following the cost principles contained in 2 CFR Part 200 and 2 CFR Chapter VII, Part 700.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of Abt.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Abt Associates, Inc.
6130 Executive Boulevard
Rockville, Maryland 20852

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

We have audited the accompanying Special Purpose Financial Statement of Abt Associates, Inc. (Abt) under Cooperative Agreement Number AID-OAA-A-15-16-00067 (Cooperative Agreement) with the United States Agency for International Development (USAID) to support the Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) Program for the period January 1, 2018 through December 31, 2018, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 27, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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. Given these limitations, during

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our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 entity'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.

This report is intended for the information of Abt, USAID, 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 programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.



Irvine, California
March 27, 2020

REPORT ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Abt Associates, Inc.
6130 Executive Boulevard
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Arlington, Virginia 22202

We have audited the accompanying Special Purpose Financial Statement of Abt Associates, Inc. (Abt) under Cooperative Agreement Number AID-OAA-A-15-16-00067 (Cooperative Agreement) with the United States Agency for International Development (USAID) to support the Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) Program for the period January 1, 2018 through December 31, 2018, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 27, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Abt's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and the aforementioned Cooperative Agreement, noncompliance with which could have a direct and material effect on the determination of Special Purpose 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

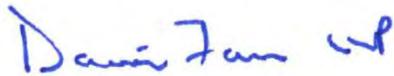
Purpose of this Report

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.

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A handwritten signature in blue ink, appearing to read "Dennis Farn" followed by a stylized flourish.

Irvine, California
March 27, 2020

ABT ASSOCIATES, INC.

Financial Audit of Costs Incurred Under
Cooperative Agreement No. AID-OAA-A-15-00067
Sustaining Health Outcomes through the Private Sector Plus (SHOPS+) – Afghanistan

Status of Prior Audit Findings

For the Period January 1, 2018 through December 1, 2018

We requested from Abt, SIGAR and USAID copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to Abt's **activities** under this Cooperative Agreement. Two prior reports were provided to us for review. One of the reports was a financial audit of costs incurred under the SHOPS+ Program for the period January 1, 2016 through December 31, 2017, conducted by Davis and Associates Certified Public Accountants, PLLC, on behalf of USAID. The second report was a SHOPS+ Project Performance Evaluation performed by USAID. Neither of these reports contained any findings and recommendations which are direct and material to the SPFS.

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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- Phone DSN Afghanistan: 318-237-3912 ext. 7303
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