

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 20-54 Financial Audit

Department of State's Efforts to Develop and Sustain Afghanistan's Drug Treatment System: Audit of Costs Incurred by the Colombo Plan for Cooperative Economics and Social Development in Asia and the Pacific Results in More than \$23 Million in Questioned Costs



SEPTEMBER
2020

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

Between 2014 and 2018, the Department of State (State) awarded nine letters of agreement to the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific (Colombo) to help State and the Afghan government develop and sustain a drug treatment system. Although the letters did not explicitly include a defined period of performance, they were signed on October 30, 2014, and included November 25, 2020, as the end of the performance period. The letters obligated up to \$51,826,653. State did not modify the letters during the period SIGAR reviewed.

SIGAR's financial audit, performed by Williams, Adley & Company-DC LLP (Williams Adley), reviewed \$39,338,326 in costs charged to the letters from October 30, 2014, through December 31, 2018. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Colombo's internal controls related to the agreements; (2) identify and report on instances of material noncompliance with the terms of the letters and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Colombo has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Colombo's Special Purpose Financial Statement (SPFS). See Williams Adley's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, 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 Williams Adley did not comply, in all material respects, with U.S. generally accepted government auditing standards.

September 2020

Department of State's Efforts to Develop and Sustain Afghanistan's Drug Treatment System: Audit of Costs Incurred by the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific Results in More than \$23 Million in Questioned Costs

SIGAR 20-54-FA

WHAT SIGAR FOUND

Williams Adley identified six material weakness, two significant deficiencies, and two other deficiencies in Colombo's internal controls and eight instances of noncompliance with the terms of the letters. For example, the organization could not provide supporting documentation for nonlabor costs, or certify and validate employee salaries as required by State's *Foreign Affairs Manual and Handbook* and Colombo's financial manual. In addition, employees did not document the amount of time spent working on projects related to the letters, as required by the Code of Federal Regulations, limiting management's ability to determine the accuracy of the hours charged. Colombo also overcharged State because it did not apply the administrative cost rates stated in the project proposal.

Due to the internal control issues and instances of noncompliance, Williams Adley identified \$23,133,847 in total questioned costs, consisting of \$13,472,346 in unsupported costs—costs not supported with adequate documentation or that do not have required prior approval—and \$9,661,501 in ineligible costs—costs prohibited by the agreements and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Revenue	\$7,157,262	\$0	\$7,157,262
Cost Incurred	\$305,305	\$11,817,848	\$12,123,153
Administrative Charge	\$2,180,684	\$1,654,498	\$3,835,182
Cash Reprogramming	\$18,250	\$0	\$18,250
Total Costs	\$9,661,501	\$13,472,346	\$23,133,847

Williams Adley did not identify any audits relevant to Colombo's agreements. The auditors issued a disclaimer of opinion on Colombo's SPFS because of the lack of sufficient and appropriate evidence to provide a basis for an audit opinion.

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, \$23,133,847 in questioned costs identified in the report.**
- 2. Advise Colombo to address the report's 10 internal control findings.**
- 3. Advise Colombo to address the report's eight noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

September 18, 2020

The Honorable Michael R. Pompeo
Secretary of State

The Honorable Kirsten D. Madison
Assistant Secretary, Bureau of International Narcotics
and Law Enforcement Affairs

Ambassador Ross Wilson
U.S. Chargé d'Affaires to Afghanistan

We contracted with Williams, Adley & Company-DC LLC (Williams Adley) to audit the costs incurred by the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific (Colombo) under nine letters of agreements from the Department of State to help State and the Afghan government develop and sustain a drug treatment system.¹ Williams Adley reviewed \$39,338,326 in costs charged to the letters from October 30, 2014, through December 31, 2018. Our contract with Williams Adley required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$ 23,133,847 in questioned costs identified in the report.**
- 2. Advise Colombo to address the report's 10 internal control findings.**
- 3. Advise Colombo to address the report's eight noncompliance findings.**

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

Please provide documentation related to corrective actions taken and/or target dates for completion for the recommendations. Please provide this information to sigar.pentagon.audits.mbx.recommendation-follow-up@mail.mil within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-167)

¹ The letters are 2015-3A, 2015-3C, 2015-3D, SINLEC15VC0205, SINLEC17VC0204, SINLEC17VC0226, SINLEC15VC0262, SINLEC17VC0293, and SINLEC17VC0343.

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

**Financial Audit of Costs Incurred Under
Letter of Agreement (LOA) Numbers:**

2015-3A, 2015-3C, 2015-3D,
SINLEC15VC0205, SINLEC15VC0262,
SINLEC17VC0204, SINLEC17VC0226
SINLEC17VC0293, and SINLEC17VC0343

by

**The Colombo Plan for Cooperative Economic and
Social Development in Asia and the Pacific
(The Colombo Plan)**

For the Period

October 30, 2014 – December 31, 2018

Submitted by



Table of Contents

Transmittal Letter	i
Summary	1
Background	1
Work Performed	2
Objectives	2
Scope.....	3
Methodology.....	3
Summary of Results	5
Summary of Management Comments.....	7
Independent Auditor’s Report on the Special Purpose Financial Statement	8
Special Purpose Financial Statement.....	11
Notes to the Special Purpose Financial Statement.....	12
Notes to the Questioned Costs Presented on the Special Purpose Financial Statement.....	14
Note A: Questioned Costs – Unsupported Non-Labor Costs (Finding 2019-01).....	14
Note B: Questioned Costs – Unsupported Payroll Costs (Finding 2019-02)	14
Note C: Questioned Costs – Ineligible Danger Pay (Finding 2019-04).....	14
Note D: Unsupported Level of Effort in Time and Attendance Records (Finding 2019-05)	14
Note E: Administrative Costs Do Not Comply with Letters of Agreement (Finding 2019-06).....	14
Note F: Unexpended Funds Not Remitted to the Government (Finding 2019-07).....	15
Note G: Administrative Costs Incorrectly Identified as Direct Costs in LOAs (Finding 2019-08).....	15
Note H: Unauthorized Reprogrammed Funds (Finding 2019-10).....	15
Independent Auditor’s Report on Internal Control	16
Independent Auditor’s Report on Compliance	18
Schedule of Findings and Questioned Costs	20
Finding 2019-01: Unsupported Non-Labor Costs.....	20
Finding 2019-02: Unsupported Payroll Costs	22
Finding 2019-03: Failure to Withhold Income Taxes	24
Finding 2019-04: Ineligible Danger Pay.....	26
Finding 2019-05: Unsupported Level of Effort in Time and Attendance Records	28
Finding 2019-06: Administrative Costs Do Not Comply with Letters of Agreement	30

SIGAR Special Purpose Financial Statement Audit Report The Colombo Plan

Finding 2019-07: Unexpended Funds Not Remitted to the Government33
Finding 2019-08: Administrative Costs Incorrectly Identified as Direct Costs in LOAs36
Finding 2019-09: Failure to Comply with Reporting Requirements38
Finding 2019-10: Unauthorized Reprogrammed Funds41
Appendix A – Management’s Response to the Findings and Recommendations 43
Appendix B – Auditor’s Response to Management Comments..... 49
Appendix C – Combined LOA Special Purpose Financial Statement..... 54



Transmittal Letter

August 13, 2020

Chatura Hewamallika
Deputy Director
The Colombo Plan Drug Advisory Program
No. 52, Ananda Coomaraswamy Mawatha
Colombo 3
Sri Lanka

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

We hereby provide to you our final report, which reflects results from the procedures we completed during our audit of The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific (The Colombo Plan) letters of agreement (LOAs) numbers 2015-3A, 2015-2C, 2015-3D, SINLEC17VC0204, SINLEC15VC0205, SINLEC17VC0226, SINLEC15VC0262, SINLEC17VC0293, and SINLEC17VC0343 with the United States Department of State (State) to develop and sustain Afghanistan's drug treatment and system.

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

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

Thank you for providing us the opportunity to work with you and to conduct the audit of The Colombo Plan's letters of agreement.

Sincerely,

A handwritten signature in cursive script that reads 'Jocelyn Hill'.

Jocelyn Hill, CPA, CGFM
Partner

WILLIAMS, ADLEY & COMPANY-DC, LLP

Certified Public Accountants / Management Consultants

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

www.williamsadley.com

Summary

Background

Between 2014 and 2018, the U.S. Department of State (State) funded Letter of Agreements (LOAs) 2015-3A, 2015-3C, 2015-3D, SINLEC15VC0205, SINLEC17VC0204, SINLEC17VC0226, SINLEC15VC0262, SINLEC17VC0293, and SINLEC17VC0343 to The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific under its Drug Advisory Programme¹ (DAP) (hereinafter known as The Colombo Plan) largely to support State’s Bureau for International Narcotics and Law Enforcement Affairs’ (State INL) collaboration with the Government of the Islamic Republic of Afghanistan (GIROA) to develop and sustain Afghanistan’s drug treatment and system. The principal objectives of the letters of agreement (LOAs) are to assist State and Afghan implementers such as the Ministry of Public Health and the Ministry of Counter Narcotics with drug treatment and drug demand reduction services including training, education, prevention intervention, and assisting in the operation and monitoring of drug treatment centers in Afghan provinces such as Kabul, Herat, Balkh, and Nangarhar.

Established on July 1, 1951, The Colombo Plan is a partnership concept of self-help and mutual help in development aimed at socio-economic progress of its 27 Member countries. The Colombo Plan provides advanced skills and experience sharing aimed at arriving at the best practices in different fields of economic and social activities.

The LOAs do not explicitly state the periods of performance, as such, the audit periods were calculated by using the countersigned date of the LOAs (October 30, 2014 is the “start of the audit period”) while the end of the audit period was calculated based on the number of months listed in the LOAs. For the LOAs with a period of performance ending after December 31, 2018, the audit period will end on December 31, 2018. The total incurred costs for the nine LOAs amounted to \$39.3 million.

FAIN/ Project No.	LOA Amount	Cost Incurred	Period of Performance		Purpose ²
2015-3A	\$2,000,000	\$1,921,746	10/16/2015	11/15/2016*	To support project 2015-3A
2015-3C	1,944,063	1,886,856	4/12/2016	9/29/2016*	To support project 2015-3C
2015-3D	2,633,448	2,656,819	10/26/2016	9/29/2016*	To support project 2015-3D
SINLEC17V C0204	10,920,185	8,793,799	1/17/2017	7/16/2018*	To support projects 2016-AF-001 to 005, 009, 6B, 12
SINLEC15V C0205	9,696,450	8,666,378	10/30/2014	6/29/2015*	To support projects 2014-3, 4, 11A

¹ The Drug Advisory Programme (DAP) is part of The Colombo Plan and is the only regional intergovernmental programme exclusively aimed at capacity building for drug demand reduction in the Asia and Pacific Region. During the last three decades the DAP has assisted member counties in initiating the process of policy evolution, in finding appropriate solutions on a bilateral and/or multi-lateral basis and in encouraging national efforts among member countries towards drug demand reduction.

² Each LOA has one or more project numbers. The LOAs contain the signed and countersigned signatures of State and The Colombo Plan and represent the official awards.

FAIN/ Project No.	LOA Amount	Cost Incurred	Period of Performance		Purpose ²
SINLEC17V C0226	2,034,039	590,098	7/3/2017	10/25/2018*	To support project 2016-AF-007
SINLEC15V C0262	10,944,807	8,910,767	9/29/2015	10/28/2017*	To support projects 2015-3b, 11A, 5B, 8A, 12, 12A, 55, 5A, 28, 28A, and 28B
SINLEC17V C0293	5,402,067	1,070,140	9/25/2017	11/25/2020	To support project 2016-AF-008
SINLEC17V C0343	6,251,595	4,841,723	4/6/2018	5/5/2019	To support projects 201-AF-002, 2017-AF-003, and 2017-AF-005
Total	\$51,826,653	\$39,338,326			

*Closeout audit

Work Performed

The Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) contracted with Williams, Adley & Company-DC, LLP (Williams Adley) to conduct a financial audit and close-out of costs incurred by The Colombo Plan under the above-mentioned LOAs. Our audit procedures covered \$39,338,326 in total costs incurred for the period October 30, 2014 through December 31, 2018.

Objectives

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

Audit Objective 1 - Special Purpose Financial Statement (SPFS)

Express an opinion on whether The Colombo Plan’s SPFS for the LOAs 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 LOAs and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 - Internal Controls

Evaluate and obtain a sufficient understanding of The Colombo Plan’s internal controls related to the LOAs; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 3 – Compliance

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

Audit Objective 4 - Corrective Action on Prior Findings and Recommendations

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

Scope

The audit included State LOA numbers, 2015-3A, 2015-3C, 2015-3D SINLEC17VC0204, SINLEC15VC0205, SINLEC17VC0226, SINLEC15VC0262, SINLEC17VC0293, and SINLEC17VC0343 for revenues and costs of \$39,338,326 incurred during the period October 30, 2014 through December 31, 2018, as reported on the SPFS. There were seven close-out audits that were subjected to additional audit procedures. The audit was limited to those matters and procedures pertinent to the LOAs that have a direct and material effect on the SPFS and included an evaluation of the presentation, content, and records supporting the SPFS. The following areas were included within the audit program for evaluation:

- i. Administrative Procedures and Fraud Risk Assessment
- ii. Budget Management
- iii. Disbursements and Financial Reporting
- iv. Procurement
- v. Close-out Procedures

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

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

Methodology

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

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

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

For audit objective 1, we reviewed transactions for the period October 30, 2014 through December 31, 2018, subsequent events, and information that may have a significant impact on the SPFS for the audit period. We used both statistical and non-statistical sampling techniques to select salaries, fringe benefits, consulting fees and service charges, curriculum, courses, training, scholarships, and other expenses samples to test for allowability of incurred costs, and reviewed procurement records to determine cost reasonableness. The scope of our audit reflects our assessment of control risk and includes tests of incurred costs to provide a reasonable basis for our opinion.

For audit objective 2, we reviewed applicable background materials, including LOAs, auditee financial progress reports, State regulations, SIGAR's Afghanistan alert letters, audit reports and special program reports, and auditee single audits, performance audits and/or financial statement audits as made available and provided. To gain an understanding of the control environment, we interviewed management and reviewed business processes to determine if critical internal controls were in place that mirrored best practices such as sufficient management oversight of business processes, proper segregation of duties, documented policies and procedures, robust financial management systems, and sufficient monitoring of controls to ensure effective implementation thereof. We assessed the control risk for sampling and testing purposes.

For audit objective 3, we performed compliance testing including, but not limited to: determination of allowable costs under Title 2, Part 200 of the Code of Federal Regulations (CFR) cost principles; validation of indirect cost calculations pursuant to a provisional or final negotiated indirect cost rate agreement; confirmation that excess cash has been returned to the US Government; verification of incurred cost eligibility; confirmation of equipment and real property management and disposal in accordance with an approved disposition plan; determination as to whether expenditures complied with the period of availability of the Federal funds; verification that procurement activities complied with full and open competition standards or justification for noncompetitive bids was documented when applicable, and suspension and debarment of the subcontractor was considered in the LOA decision; and determination that quarterly financial reporting was accurate, timely and complete. We performed close-out procedures to ensure that: unobligated funds and unliquidated advances in excess of cash were returned to the U.S. Government; final program and financial reports were signed and submitted to the funding agency; and a disposition plan, if necessary, was obtained and approved. In addition, we performed testing to assess and determine any potential fraud, abuse and illegal acts.

To achieve audit objective 3, we also reviewed applicable laws, State and LOA requirements and noted the following:

1. LOAs stated that "As in past years, all undertakings of the U.S. government in this LOA shall be subject to any and all applicable U.S. laws and regulations".
2. State Title 2; Subtitle B, Chapter VI, Part 600, §600.101 state that Under the authority listed above, the Department of State adopts the Office of Management

and Budget (OMB) Guidance in 2 CFR part 200. In addition, item (b) states that Subparts A through E of 2 CFR part 200 shall apply to all foreign organizations not recognized as Foreign Public Entities.

For the requirements stated above, Williams Adley may use applicable criteria set forth in the 2 CFR part 200.

For audit objective 4, we requested prior audit reports, reviews and assessments pertinent to The Colombo Plan's activities under the LOAs. We also performed independent research of publicly available information to identify and review reports. If prior audits indicated a need for corrective action to be taken by The Colombo Plan, we determined through inquiry, observation and testing whether the necessary steps were taken to adequately address those findings and recommendations.

Summary of Results

We issued a disclaimer of opinion on The Colombo Plan's SPFS because we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

We questioned \$23,133,847 in costs, with \$9,661,501 deemed ineligible and \$13,472,346 that were unsupported. Ineligible costs are explicitly questioned because they are unnecessary or unreasonable, prohibited by the audited LOA or applicable laws and regulations, or not related to the LOA. Unsupported costs are those costs for which The Colombo Plan was unable to provide sufficient supporting documentation, including evidence of proper approval, for Williams Adley to determine the accuracy and allowability of the costs.

As a result of our audit procedures we identified six (6) material weaknesses, two (2) significant deficiencies, two (2) internal control deficiencies, and eight (8) instances of noncompliance with the terms and conditions of the LOAs that are required to be reported under *Government Auditing Standards*.

Summary of Findings and Questioned Costs

Questioned Costs Classification

Finding/Description	Material Weakness in Internal Control	Significant Deficiency in Internal Control	Non-Compliance	Internal Control Deficiency	Ineligible	Unsupported	Total Questioned Costs
2019-01 Unsupported Non-Labor Costs	✓				-	11,418,091	11,418,091
2019-02 Unsupported Payroll Costs		✓			-	13,827	13,827
2019-03 Failure to Withhold Income Taxes		✓	✓		-	-	-
2019-04 Ineligible Danger Pay			✓	✓	2,599	-	2,599
2019-05 Unsupported Level of Effort in Time and Attendance Records	✓		✓		-	385,930	385,930
2019-06 Administrative Costs Do Not Comply with Letters of Agreement	✓		✓		2,137,941	-	2,137,941
2019-07 Unexpended Funds Not Remitted to the Government	✓		✓		7,157,262	-	7,157,262
2019-08 Administrative Costs Incorrectly Identified as Direct Costs in LOAs	✓		✓		302,706	-	302,706
2019-09 Failure to Comply with Reporting Requirements			✓	✓	-	-	-
2019-10 Unauthorized Reprogrammed Funds	✓		✓		18,250	-	18,250
Total Direct Costs					\$9,618,758	\$11,817,848	\$21,436,606
Administrative Costs					\$ 42,743	\$ 1,654,498	\$ 1,697,241
Total Questioned Costs					\$9,661,501	\$13,472,346	\$23,133,847

We also considered whether the information obtained during our audit 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.

Status of Prior Audit Findings

We requested prior audit reports, reviews, and assessments pertinent to The Colombo Plan's activities under LOAs SINLEC15VC0205, SINLEC15VC0262, SINLEC17VC0204, SINLEC17VC0226, SINLEC17VC0293, SINLEC17VC0343, 2015-3A, 2015-3C, and 2015-3D. Based on our inquiries and search of publicly available information, we concluded that there were no prior audits, reviews, or assessments related to the aforementioned LOAs that may have a direct and material impact on the SPFS or other financial data significant to the audit objectives as defined by SIGAR.

Summary of Management Comments

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

The Colombo Plan disagrees with Findings 2019-01 through 2019-08, and 2019-10, and partially agrees with Finding 2019-09.

Our rebuttal to management comments is detailed in Appendix B of this report.

Attachments

The auditor's reports are supplemented by two attachments:

- Appendix A - Management's Response to the Findings and Recommendations
- Appendix B - Auditor's Response to Management Comments.



Independent Auditor's Report on the Special Purpose Financial Statement

Chatura Hewamallika
Deputy Director
The Colombo Plan Drug Advisory Program
No. 52, Ananda Coomaraswamy Mawatha
Colombo 3
Sri Lanka

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

We were engaged to audit the Special Purpose Financial Statement (SPFS) of The Colombo Plan and the related notes to the SPFS, with respect to the United States Department of State (State) letters of agreement (LOA) numbers SINLEC15VC0205, SINLEC15VC0262, SINLEC17VC0204, SINLEC17VC0226, SINLEC17VC0293, SINLEC17VC0343, 2015-3A, 2015-3C, and 2015-3D for the period October 30, 2014 through December 31, 2018.

Management's Responsibility for the Special Purpose Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this SPFS based on conducting the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph below, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We identified \$23,133,847 in costs that were questionable of which \$11,817,848 was based upon our review of the underlying support for the transactions plus \$1,654,498 of related indirect costs. The Colombo Plan did not develop control procedures, such as the implementation of partner monitoring, controls to comply with laws and regulations and the terms of the LOAs, and preservation of source documents to ensure accountability of costs incurred and compliance with requirements to maintain such records. Lack of monitoring hindered The Colombo Plan's ability to obtain adequate supporting documentation to validate the expenditures incurred for the period October 30, 2014 through December 31, 2018 resulting in unsupported questioned costs of 13,472,346, including \$1,654,498 of related indirect costs. We questioned \$9,661,501 in ineligible costs related to 1) \$6,686,661 in unexpended funds not yet returned to INL plus associated estimated interest income owed on the funds not yet returned of \$470,601 for seven close-out LOAs, 2) \$2,485,989 related to ineligible administrative costs, operational costs of treatment center and other expenses, and 3) Unapproved reprogramming of \$18,250. The total questioned cost amount is considered material to the Special Purpose Financial Statement.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on The Colombo Plan's SPFS.

Basis of Accounting

We draw your attention to Note 2 to the SPFS, which describes the basis of accounting. As described in Note 2 to the SPFS, the SPFS is prepared by The Colombo Plan in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note 2 of the SPFS.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports, dated January 30, 2020, on our consideration of The Colombo Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

Report on Supplementary Information

We were engaged for the purpose of forming an opinion on the SPFS as a whole. The accompanying supplementary information included in Appendix C is presented for the

purposes of additional analysis and is not a required part of the SPFS. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph it is inappropriate to and we do not express an opinion on the supplementary information referred in Appendix C.

Restriction on Use

Our report is intended solely for the information and use of The Colombo Plan, State, and 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.

Williams, Adley & Company, DC, LLP

Washington, D.C.
January 30, 2020

The Colombo Plan
Special Purpose Financial Statement³
 October 30, 2014 to December 31, 2018

Description	Budget	Actual	Questioned Costs		Notes
			Ineligible	Unsupported	
Revenues					
2015-3A	\$ 2,000,000	\$ 2,018,250	\$ 16,289	\$ -	F
2015-3C	1,362,650	1,362,650	57,206		F
2015-3D	2,633,448	2,927,320	270,501		F
SINLEC17VC0204	10,920,185	11,032,851	2,164,266		F
SINLEC17VC0205	9,696,450	10,138,226	872,186		F
SINLEC17VC0226	2,034,039	2,034,039	1,443,942		F
SINLEC17VC0262	10,944,807	11,773,406	1,862,271		F
SINLEC17VC0293	5,402,067	5,402,067			
SINLEC17VC0343	6,251,595	6,401,595			
Subtotal	\$ 51,245,241	\$ 53,090,404	\$6,686,661		F
Reprogramming to Project 2015-3C	581,412	581,412	-	-	
Interest Income	-	-	470,601		F
Total Revenue	\$ 51,826,653	\$ 53,671,816	\$ 7,157,262	\$ -	
Cost Incurred					
Communication and courier charges	\$ 67,625	\$ 11,508	\$ -	\$ -	
Consultancy fees and service charges	2,712,153	937,982	941 ⁴	23,737 ⁵	C
Curriculum, courses, and training costs	6,406,493	2,995,250	426 ⁴	110,198 ⁵	C
Kabul Office operational Expenses, including rent and security	1,539,173	952,411	319 ⁴	351 ⁵	C
Meetings	1,673,129	841,851		4,115 ⁵	A
Monitoring activities	993,932	125,105		894 ⁵	A
Operational cost of treatment centers	26,437,687	24,660,651	302,706 ⁶	11,278,796 ⁵	G, A
Salaries and fringe benefits	4,013,471	2,137,816	913 ⁴	399,757 ⁷	C, B, D
Scholarships	1,665,750	360,351			
Other expenses	10,000	7,842			
Total Costs Incurred	\$ 45,519,513	\$ 33,030,768	\$ 305,305	\$ 11,817,848	
Administrative charge – 14%	\$ 6,307,140	\$ 6,307,555	2,180,684 ⁸	1,654,498 ⁹	C, E, G
Total Costs Incurred and Administrative Costs	\$ 51,826,653	\$ 39,338,324	\$ 2,485,989	\$ 13,472,346	
Cash Balance, December 31, 2018, before Reprogramming	-	\$ 14,333,492	\$ -	\$ -	
Less: Reprogramming to other projects	-	(1,755,032)	18,250	-	8, H
Cash Balance, December 31, 2018 after Reprogramming	-	\$ 12,578,460	\$ 18,250	\$ -	

³ The Special Purpose Financial Statement is the responsibility of The Colombo Plan's management.

⁴ Note C - \$2,599 is comprised of \$941, \$426, \$319, and \$913.

⁵ Note A - \$11,418,091 is comprised of \$23,737; \$110,198; \$351; \$4,115; \$894; and \$11,278,796

⁶ Note G - \$302,706

⁷ \$399,757 is comprised of \$13,827 (Note B) and \$385,930 (Note D)

⁸ \$2,180,684 is comprised of \$364 (Note C); \$2,137,941 (Note E); and \$42,379 (Note F)

⁹ \$1,654,498 is comprised of \$1,598,532 (Note A); \$1,936 (Note B); and \$54,030 (Note D)

The Colombo Plan
Notes to the Special Purpose Financial Statement¹⁰
For the Period October 30, 2014 to December 31, 2018

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred under LOA Numbers SINLEC15VC0205, 2015-3A, 2015-3C, 2015-3D, SINLEC15VC0262, SINLEC17VC0204, SINLEC17VC0226, SINLEC17VC293 and SINLEC17VC0343 for the period July 9, 2014, through December 31, 2018. Because the SPFS presents only a selected portion of the operations of The Colombo Plan under the Drug Advisory Programme, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Colombo Plan. The information in this SPFS is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is specific to the aforementioned Letter of Agreements. Therefore, some amounts presented in this SPFS may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Basis of Accounting

The SPFS has been prepared on the modified accrual basis of accounting whereby revenues are recognized in the period in which they become measurable and available, and expenses are recognized in the period in which the associated liability is incurred.

Note 3. Foreign Currency Conversion Method

For purposes of preparing the SPFS, conversions from local currency to United States Dollars were required. The operational currency in Sri Lanka is Rupee and the presentation currency is the U.S. Dollar. Expenses incurred in Sri Lanka Rupees is converted into U.S. Dollars at the actual rate at the transaction date.

Note 4. Revenues

Revenues on the SPFS represent the amount of funds to which The Colombo Plan is entitled to receive from State for allowable, eligible costs incurred under the Letter of Agreement during the audit period.

Note 5. Revenue Recognition

Revenue is recorded upon incurring an expense, or delivery of the service, assuming all other revenue recognition criteria have been met.

Note 6. Costs Incurred by Budget Category

The budget categories presented, and associated amounts reflect the line items contained within the final, approved letter of agreement budget.

¹⁰ Notes to the Special Purpose Financial Statement are the responsibility of The Colombo Plan's management and are an integral part of this Statement.

Note 7: Cash Balance

The balance presented on the SPFS represents the difference between the funds received under the letters of agreement and the actual costs incurred. An amount greater than zero represents funds received that have not been fully expended, reprogrammed, or refunded. As of December 31, 2018, The Colombo Plan had a cash balance of \$12,578,460.

Note 8: Amounts Repurposed to Projects

The Colombo Plan has 30 projects among the nine LOAs awarded. The total amount transferred by Colombo Plan amounted to \$1,755,032. The table below details how those funds were transferred among awards/projects.

Amount Transferred from/to Projects

From		To		Transferred
Award Number	Project No.	Award No.	Project No.	Amount
SINLEC15VC0205	2014-4	2015-3A	2015-3A	\$ 18,250
2015-3A	2015-3A	2015-3D	2015-3D	80,216
SINLEC15VC0262	2015-3B	2015-3D	2015-3D	213,656
SINLEC15VC0262	2015-28A	SINLEC15VC0262	2015-28	404,680
SINLEC15VC0262	2015-28B	SINLEC15VC0262	2015-28	306,818
SINLEC17VC0343	2015-8A	SINLEC17VC0262	2015-28	75,214
SINLEC17VC0202	2016-AF-002	SINLEC17VC0343	2017-AF-002	74,786
Total Transferred Amount				\$1,173,620

Amount Transferred to Proposed Budget

From	To	Proposed Budget	Deposited	Transferred
Project No.	Award No	Amount	Amount	Amount
2014-3	2015-3C	1,944,062	1,362,650	\$581,412
Total Amount Transferred				\$1,755,032

The Colombo Plan
Notes to the Questioned Costs Presented on the
Special Purpose Financial Statement¹¹

Note A: Questioned Costs – Unsupported Non-Labor Costs (Finding 2019-01)

Condition: The Colombo Plan did not retain documentation to support \$11,418,091 in non-labor costs incurred between October 30, 2014 and December 31, 2018. This amount includes \$1,442,180 in costs incurred at The Colombo Plan headquarters in Sri Lanka and \$9,975,911 in funds The Colombo Plan provided to its partners located in Afghanistan. We questioned \$13,016,623 in costs comprised of \$11,418,091 in unsupported non-labor costs plus \$1,598,532 in related administrative costs.

Note B: Questioned Costs – Unsupported Payroll Costs (Finding 2019-02)

Condition: During our payroll testing at The Colombo Plan headquarters, we randomly selected and reviewed 205 payroll payments to employees paid between October 30, 2014 and December 31, 2018. We noted that The Colombo Plan did not obtain or retain bank transfer documentation to certify and validate payments for 5 of the 33 employees, which totaled \$13,827 in unsupported payroll costs and \$1,936 in associated administrative costs.

Note C: Questioned Costs – Ineligible Danger Pay (Finding 2019-04)

Condition: During our disbursement testing, we determined that The Colombo Plan paid \$2,599 for Danger Pay¹² to three local employee staff who were not United States citizens. Further, we determined that The Colombo Plan also charged State 14%, or \$364, in administrative costs related to the Danger Pay payments for which cost eligibility was not confirmed.

Note D: Unsupported Level of Effort in Time and Attendance Records (Finding 2019-05)

Condition: During our payroll testing at The Colombo Plan headquarters, we randomly selected and reviewed 205 payroll payments to employees paid between October 30, 2014 and December 31, 2018 and noted that none of the 33 employees, who worked on multiple projects, documented their level of effort in their attendance records. We questioned \$385,930 in unsupported payroll costs for the 33 employees tested, and \$54,030 in associated administrative costs, because based on documentation provided, we were not able to determine how much labor cost was associated with each LOA.

Note E: Administrative Costs Do Not Comply with Letters of Agreement (Finding 2019-06)

Condition: During our testing of administrative costs under The Colombo Plan's nine LOAs (seven of which were in the close-out process), we noted that The Colombo Plan

¹¹ Alphabetic notes to the questioned costs presented on the Special Purpose Financial Statement were developed by and are the responsibility of the auditor.

¹² Effective 6/16/02, federal civilian employees detailed 4 or more cumulative hours in one day may be granted the danger pay allowance under Chapter 650 of the Standardized Regulations (GC, FA). See list of danger pay locations.

overcharged administrative costs to the INL for six of the nine LOAs in the amount of \$2,137,941. The actual average percentage of administrative costs incurred was 19.10% compared to the 14% budgeted for administrative costs as stated in the Project Proposals.¹³

Note F: Unexpended Funds Not Remitted to the Government (Finding 2019-07)

Condition: During our review of The Colombo Plan's nine LOAs, we determined that The Colombo Plan did not return excess funds to State INL as required by State for seven closed LOAs totaling 6,686,661. Additionally, The Colombo Plan did not deposit funds received from State INL in an interest-bearing account as required. We questioned \$7,157,262 in ineligible costs comprised of \$6,686,661 in unexpended funds not remitted to INL plus \$470,601 in lost interest income.

Note G: Administrative Costs Incorrectly Identified as Direct Costs in LOAs (Finding 2019-08)

Condition: The Colombo Plan applied a 5% administrative cost to direct costs in six LOA project proposals submitted to the State INL and then charged an additional 14% in administrative costs to the ineligible direct costs. The six LOA project proposals did not provide the cost description (e.g. supplies, postage, administrative salaries) and the specific amount for each of the separate costs proposed as administrative cost. Also, the project proposals did not provide a budget narrative to explain what was considered an administrative cost for purposes of the 5% calculation that was added to direct costs. We could not easily, and with a high level of accuracy, determine that the 5% of administrative cost claimed was incurred in support of a specific LOA and was an eligible direct cost. We questioned \$302,706 in ineligible direct costs plus \$42,379 in related administrative costs for a total questioned cost of \$345,085.

Note H: Unauthorized Reprogrammed Funds (Finding 2019-10)

Condition: The Colombo Plan management reprogrammed \$1,755,032 in funds to several LOAs/projects that included \$18,250 in funds reprogrammed without the authorization of INL. We questioned \$18,250 of unauthorized reprogrammed funds as unsupported costs.

¹³ Project Proposals are part of the LOAs between The Colombo Plan and State.



Independent Auditor's Report on Internal Control

Chatura Hewamallika
Deputy Director
The Colombo Plan Drug Advisory Program
No. 52, Ananda Coomaraswamy Mawatha
Colombo 3
Sri Lanka

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

We were engaged to audit the Special Purpose Financial Statement (SPFS) and related notes to the SPFS, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by The Colombo Plan, under the U.S. Department of State (State) letters of agreement SINLEC15VC0205, SINLEC15VC0262, SINLEC17VC0204, SINLEC17VC0226, SINLEC17VC0293, SINLEC17VC0343, 2015-3A, 2015-3C, and 2015-3D for the period October 30, 2014 to December 31, 2018. We have issued our report thereon dated January 30, 2020 with a disclaimer of opinion due to our inability to obtain sufficient appropriate audit evidence.

Internal Control Over Financial Reporting

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

"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 Colombo Plan's SPFS 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, material weaknesses may exist that have not been identified. We did note six material weaknesses as defined and described in findings 2019-01, 2019-05, 2019-06, 2019-07, 2019-08, and 2019-10, two significant deficiencies as defined and described in findings 2019-02 and 2019-03, and two internal control deficiencies as defined and described in findings 2019-04 and 2019-09 in the attached Schedule of Findings and Questioned Costs.

The Colombo Plan's Response to the Findings

The Colombo Plan's response to the findings identified in our audit is included verbatim in Appendix A. The Colombo Plan's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement (SPFS), and accordingly, we express no opinion on it.

Purpose of this Report

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

Restriction on Use

This report is intended for the information of The Colombo Plan, State, and SIGAR. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Williams, Adley & Company-DC, LLP

Washington, D.C.
January 30, 2020



Independent Auditor's Report on Compliance

Chatura Hewamallika
Deputy Director
The Colombo Plan Drug Advisory Program
No. 52, Ananda Coomaraswamy Mawatha
Colombo 3
Sri Lanka

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

We were engaged to audit the Special Purpose Financial Statement (SPFS) and related notes to the SPFS, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by The Colombo Plan, under the U.S. Department of State (State) letters of agreement numbers SINLEC15VC0205, SINLEC15VC0262, SINLEC17VC0204, SINLEC17VC0226, SINLEC17VC0293, SINLEC17VC0343, 2015-3A, 2015-3C, and 2015-3D for the period October 30, 2014 to December 31, 2018. We have issued our report thereon dated January 30, 2020 with a disclaimer of opinion due to our inability to obtain sufficient appropriate audit evidence.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Colombo Plan's SPFS is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, LOAs, noncompliance with which could have a direct and material effect on the determination of SPFS 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. During testing we considered whether potential fraud or abuse has occurred or is likely to have occurred and based on documentation obtained we did not find evidence of fraud or abuse that is required to be reported to SIGAR. However, the results of our tests disclosed eight instances of noncompliance as noted in findings 2019-03, 2019-04, 2019-05, 2019-06, 2019-07, 2019-08, 2019-09, and 2019-10 in the Schedule of Findings and Questioned Costs, which is required to be reported under *Government Auditing Standards*.

The Colombo Plan's Response to the Findings

The Colombo Plan's responses to the findings identified in our audit are included verbatim in Appendix A. The Colombo Plan's responses were not subjected to the auditing procedures applied in the audit of the SPFS, 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 The Colombo Plan's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Colombo Plan's compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of The Colombo Plan, State and SIGAR. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Williams, Adley & Company, DC, LLP

Washington, D.C.
January 30, 2020

Schedule of Findings and Questioned Costs

Finding 2019-01: Unsupported Non-Labor Costs

Nature of Finding: Material Weakness in Internal Control

Condition: The Colombo Plan did not retain documentation to support \$11,418,091 in non-labor costs incurred between October 30, 2014 and December 31, 2018. This amount includes \$1,442,180 in costs incurred at The Colombo Plan headquarters in Sri Lanka and \$9,975,911 in funds The Colombo Plan provided to its partners located in Afghanistan. The table below details the questioned cost for the unsupported amounts, which includes the auditor’s calculation of 14% in administrative costs (\$1,598,532) associated with the unsupported costs.

Project Number	Non-Labor Unsupported Costs
2013-4	\$ 64,388.00
2014-3	1,690,208.00
2014-4	62,205.00
2015-11A	23,985.86
2015-12A	450.00
2015-28A	12,821.98
2015-3A	363,759.00
2015-3B	2,674,640.00
2015-3C	330,454.00
2015-3D	1,609,577.00
2015-55A	260.57
2015-5A	11,952.50
2015-8A	1,590.53
2016-AF-001	3,870.00
2016-AF-003	3,098,083.00
2016-AF-004	83,172.50
2016-AF-005	970.31
2016-AF-008	220.29
2017-AF-003	1,302,885.33
KOR	518.75
Nejat	13,105.21
SSAWO	35,246.00
WADAN	33,727.26
Total Non- Labor Unsupported Cost	\$ 11,418,091
Add: 14% Administrative Cost	1,598,532
Total Questioned Cost	13,016,623

Criteria:

Letter of Agreement (LOA) Audit Policies states that The Colombo Plan is required to maintain books, records, documents, and other evidence in accordance with Colombo Plan’s usual accounting procedures to sufficiently substantiate activities supported with

these funds. It is also stated that The Colombo Plan agreed to make available to State's INL or the Comptroller General of the United States all records and documents that support expenditures made under this program.

Department of State Handbook, 4 FAH-3 H-622.6, Financial Records and Federal Audits, requires that recipient must maintain at its principal offices in the United States and/or abroad, full and complete records and books of accounts in accordance with accounting principles generally accepted in the United States or agreed to in the terms and conditions covering financial details applicable to the activities funded under the agreement.

The Colombo Plan Financial Manual, section 5.1 requires that all documents in support of a payment voucher must include invoices, purchase order, and specific authority to support payments.

Cause: The Colombo Plan did not establish procedures to collect or confirm costs through the timely submission of source documents to substantiate supported activities. The Colombo Plan management stated that they did not enforce submission of adequate support identified in its Financial Manual for costs incurred and billed to the government by its partners to the LOAs because The Colombo Plan did not believe it was required.

Effect: The lack of enforcement of accountability for funds expended and/or reimbursed to its partners increases the risk of waste, fraud, and abuse of taxpayer dollars. In addition, since State relies on The Colombo Plan to monitor the accountability of the funds, The Colombo Plan's failure to maintain documentation to support costs incurred diminishes State's ability to determine and fully account for the resources and activities funded by State's INL.

Questioned Cost: We questioned \$13,016,623 in unsupported costs. This is comprised of \$11,418,091 in non-labor costs plus \$1,598,532 in related administrative costs.

Recommendation: We recommend that The Colombo Plan:

1. Implement and enforce record keeping and monitoring procedures to ensure The Colombo Plan and its partners maintain adequate documentation to support all costs incurred as required.
2. Provide State's INL with appropriate source documentation to properly substantiate the allowability of the \$11,418,091 in unsupported costs or reimburse State's INL the total questioned cost of \$13,016,623, which includes \$1,598,532 in administrative costs charged to the unsupported non-labor costs.

Finding 2019-02: Unsupported Payroll Costs

Nature of Finding: Significant Deficiency in Internal Control

Condition: During our payroll testing at The Colombo Plan headquarters, we randomly selected and reviewed 205 payroll payments to employees paid between October 30, 2014 and December 31, 2018. We noted that The Colombo Plan did not obtain or retain bank transfer documentation to certify and validate payments for 5 of the 33 employees, which totaled \$13,827 in unsupported payroll costs and \$1,936 in associated administrative costs.

Criteria:

Letter of Agreement (LOA) Audit Policies states that The Colombo Plan is required to maintain books, records, documents, and other evidence in accordance with The Colombo Plan's usual accounting procedures to sufficiently substantiate activities supported with these funds. It is also stated that The Colombo Plan agreed to make available to the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs (State INL) or the Comptroller General of the United States all records and documents that support expenditures made under this program.

Department of State Handbook, 4 FAH-3 H-622.6, Financial Records and Federal Audits, requires that recipients must maintain at its principal offices in the United States and/or abroad, full and complete records and books of accounts in accordance with accounting principles generally accepted in the United States or agreed to in the terms and conditions covering financial details applicable to the activities funded under the agreement.

The Colombo Plan Financial Manual, Section 7.4.2 states that a complete audit trail on all payroll cheques and direct deposits with authorizing signatures at each juncture should be adopted.

Cause: The Colombo Plan did not implement adequate record keeping procedures to ensure adherence to the LOA, State's requirements and its own internal policies and procedures to support payroll costs billed to State. It appears that The Colombo Plan did not consider proper control activities when it developed its record keeping procedures. Specifically, The Colombo Plan did not establish a checklist of required documentation in support of payroll payments and did not establish a process whereby management personnel were assigned responsibility for ensuring adequate documentation was received and archived for each payroll payment.

Effect: The absence of adequate controls to maintain payroll documentation diminishes internal control and increases the risk of payments for unauthorized payroll costs. Since State relies on The Colombo Plan to monitor the accountability of the funds, the lack of controls to maintain documentation to support the incurred costs may hinder State's ability to determine and fully account for the resources and activities funded by State's INL.

Questioned Cost: We questioned \$15,763 in unsupported costs. This is comprised of \$13,827 of unsupported payroll costs plus \$1,936 for related administrative costs.

Recommendation: We recommend that the The Colombo Plan:

1. Implement and enforce record keeping and monitoring procedures to ensure that The Colombo Plan maintains adequate payroll records that are available when requested.
2. Provide State the appropriate source documentation to properly substantiate the allowability of the \$13,827 in questioned payroll costs or reimburse State the total questioned cost of \$15,763, which includes \$1,936 in associated administrative charges.

[Finding 2019-03: Failure to Withhold Income Taxes](#)

Nature of Finding: Significant Deficiency in Internal Control and Noncompliance

Condition: During our payroll testing at The Colombo Plan headquarters, we randomly selected and reviewed 205 payroll payments of 33 employees paid between October 30, 2014 and December 31, 2018 of which 21 were local Afghanistan employees. For those 21 Afghan employees, we noted that income tax was not withheld and remitted to the Afghanistan Ministry of Finance (MOF). The Colombo Plan is responsible for distributing the gross salary appropriately between the employee and the MOF and would be responsible for any penalties incurred for not paying the taxes.

Criteria:

U.S. Department of State *Mandatory Award Provisions* states that all award recipients must comply with applicable local and national laws in the host countries in which the award is implemented.

Afghanistan Income Tax Law

- Article 36: Additional tax for failure to withhold or pay withholding tax states that when a person fails to withhold or pay tax from payments subject to withholding tax, they shall be liable to pay additional tax equal to 10% of the amount of tax deducted from the payment and the liability for the amount under subsection (1) of this Article shall be borne by the person who failed to withhold or pay the tax.
- Article 43: All natural or legal profit and non-profit persons, including government departments, enterprises and municipalities shall be obliged to withhold tax from the employees' salaries and wages as provided in Article 4 Implementing Authority of this law.

2 CFR § 200.303 - Internal controls. The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Cause: The Colombo Plan did not implement a comprehensive review process or automate its payroll system to ensure that all taxes were withheld in accordance with Afghan law.

Effect: The Colombo Plan is not in compliance with State's Mandatory Award Provisions and does not have proper internal controls as required by 2 CFR 200.303 to provide reasonable assurance that The Colombo Plan is handling payroll taxes appropriately. Additionally, The Colombo Plan may be subject to fines and back payment of taxes to the Afghanistan government for which the U.S. government is not responsible and that are not allowable costs under the LOAs. Although the Colombo Plan may recover the actual tax from the employee, the additional tax cannot be recovered from the employee or any

other person, which may result in an unfunded liability for the Colombo Plan which is not reimbursable under the LOA as the purpose of the additional tax is to punish the payer for their noncompliance.

Questioned Cost: None. Although the transactions violated Afghan tax laws, no questioned cost resulted from these transactions because we could not obtain evidence that taxes were later remitted to the MOF and then billed to State's INL.

Recommendation: We recommend that The Colombo Plan:

1. Implement and enforce controls to ensure income taxes are withheld, properly documented and paid in accordance with Afghanistan Law.
2. Provide State with documentation that confirms taxes in these 33 instances were remitted to the Afghanistan Minister of Finance and not billed to or refunded by State.

Finding 2019-04: Ineligible Danger Pay

Nature of Finding: Internal Control Deficiency and Noncompliance

Condition: During our disbursement testing, we determined that The Colombo Plan paid \$2,599 for Danger Pay¹⁴ to three local employee staff (LES) who were not United States citizens (U.S. citizens). Further, we determined that The Colombo Plan also charged State 14%, or \$364, in administrative costs related to the Danger Pay payments for which cost eligibility was not confirmed.

Criteria: The Department of State Standardized Regulations (DSSR), states that “Danger Pay authorized under the DSSR is limited to U.S. citizens. DSSR 032 "Non-Citizen Employees," states, "The allowances, post differential, danger pay, compensatory time off, advances of pay and difficult to staff incentive differential, may be paid to non-citizen employees to the extent that the payment of such allowances and differential to the non-citizen employee is authorized by any provision of law other than 5 U.S.C. 5921-5928. This means no payment of those allowances, including Danger Pay, may be made to LES or other non-U.S. citizens absent separate legislation. For example, under a different set of laws/regulations, an agency can make a determination that "unique conditions of work" justify payment to LES of a benefit similar to Danger Pay.”

Cause: The Colombo Plan management said they were not aware of the DSSR criteria related to Danger Pay and as such provided Danger Pay to LES without first determining eligibility for such payments.

Effect: The Colombo Plan’s failure to establish controls that adhere to the Department of State regulations for Danger Pay increases the risk that the US Government will be improperly billed for ineligible payroll costs.

Questioned Cost: We questioned \$2,963 in ineligible costs. This amount is comprised of \$2,599 in ineligible danger pay plus \$364 in related administrative costs.

Recommendation: We recommend that The Colombo Plan:

1. Review the requirements for providing Danger Pay to its employees and then develop and implement policies and procedures that adhere to the requirements for Danger Pay eligibility prior to authorizing Danger Pay for any employees.

¹⁴ Effective 6/16/02, federal civilian employees detailed 4 or more cumulative hours in one day may be granted the danger pay allowance under Chapter 650 of the Standardized Regulations (GC, FA). See list of locations authorized for danger pay.

2. Provide training to its personnel responsible for approving DSSR Danger Pay to ensure ineligible individuals do not receive Danger Pay.
3. Refund to State the \$2,599 for ineligible Danger Pay plus associated administrative costs of \$364.

Finding 2019-05: Unsupported Level of Effort in Time and Attendance Records

Nature of Finding: Material Weakness in Internal Control and Noncompliance

Condition: During our payroll testing at The Colombo Plan headquarters, we tested all 33 of The Colombo Plan employees assigned to the LOAs and randomly selected and reviewed 205 payroll payments to the 33 employees paid between October 30, 2014 and December 31, 2018. We noted that none of the 33 employees, who worked on multiple projects, documented their level of effort (LOE) in their attendance records. For the 33 employees tested, we questioned \$385,930 in unsupported payroll costs and \$54,030 in associated administrative costs because based on documentation provided we were not able to determine how much labor cost was associated with each LOA.

Criteria:

2 CFR § 200.430 - Compensation - personal services. 8(i) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- a. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- b. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Cause: Although The Colombo Plan does use a time recording system to record the daily entrance and exit of each employee, The Colombo Plan does not have a process in place to ensure that the LOE for those employees working on multiple projects is properly allocated. The Colombo Plan management stated that if a staff member is funded from one project or LOA, and the same staff member is assigned a new project or LOA, the staff cost is not included in the new project or LOA since the staff member is already being funded from the initial project. Further, we determined that The Colombo Plan's payroll system does not include internal control features that provide automated edit checks to limit which projects an employee may charge time to, or the LOE that may be charged to one or more projects.

Effect: Not identifying the hours an employee incurs by project as part of the time and attendance system calls into question the accuracy of The Colombo Plan's allocation methodology for employee hours charged to specific LOAs and increases the likelihood that hours allocated to each LOA are not correct. In addition, as State relies on The Colombo Plan to monitor and account for the funds it disbursed, the absence of procedures to support the LOE for each LOA hinders State INL's ability to properly determine and fully account for the resources and activities specifically funded by State INL.

Questioned Cost: We questioned \$439,960. This amount is comprised of \$385,930 in unsupported payroll costs for all 33 employees tested, plus related administrative costs of \$54,030, for the period October 30, 2014 to December 31, 2018. We questioned 100% of the labor costs for the period tested because it was not possible to determine how much payroll cost belonged to each LOA.

Recommendation: We recommend that The Colombo Plan:

1. Revise The Colombo Plan's Finance Manual policy to require that all employees properly allocate the level of effort in their respective attendance records when working on multiple projects.
2. Provide State with adequate support for the \$385,930 in unsupported payroll costs in accordance with an acceptable cost allocation methodology or actual level of effort; or reimburse State for that portion of the \$439,960 in questioned cost, which includes \$54,030 of administrative costs, that could not be adequately supported.

Finding 2019-06: Administrative Costs Do Not Comply with Letters of Agreement

Nature of Finding: Material Weakness in Internal Control and Noncompliance

Condition: During our testing of administrative costs under The Colombo Plan’s nine LOAs (seven of which were in the close-out process), we noted that The Colombo Plan overcharged administrative costs to State’s INL for six of the nine LOAs in the amount of \$2,137,941. The actual average percentage of administrative costs incurred was 19.10% compared to the 14% budgeted for administrative costs as stated in the Project Proposals.¹⁵ The table below details the administrative costs overcharged by The Colombo Plan.

Award Number	Administrative Costs Per		
	The Colombo Plan	Auditors	Overcharged Administrative Costs
2015-3A*	\$ 245,614	\$234,658	\$ 10,956
SINLEC15VC0205*	1,190,792	1,046,582	144,210
SINLEC15VC0226*	249,795	47,643	202,152
SINLEC15VC0262*	1,354,911	1,059,271	295,640
SINLEC15VC0293	767,740	56,942	710,798
SINLEC15VC0343	1,344,543	570,358	774,185
Totals			\$ 2,137,941

* Close-out LOA’s

We also noted that The Colombo Plan undercharged administrative costs on three of the nine LOAs. The table below details the administrative costs undercharged by The Colombo Plan.

Award Number	Administrative Costs Per		
	The Colombo Plan	Auditors	Undercharged Administrative Costs
2015-3C*	\$ 167,343	240,732	(\$ 73,389)
2015-3D*	323,406	326,678	(3,272)
SINLEC15VC0204*	663,412	1,041,444	(378,032)
Totals			(\$ 454,693)

* Close-out LOA’s

¹⁵ Project Proposals are part of the LOAs between The Colombo Plan and State’s INL.

Criteria:

Letter of Agreement – Limitation on Use of U.S. Funds – states that the actions to be taken and the resources to be provided by the U.S. government and The Colombo Plan are set forth in the LOA and the attached project/program proposal¹⁶.

The Colombo Plan Procedure Manual of Financial & Accounting Policies & Procurement Process, Chapter 3;

- **Budget 3.1(b) Budget** requires that all spending should be within the budget limits.
- **Budget 3.7 Budget Monitoring and Control** requires that every month the accountants should prepare a budget monitoring report and submit it to the Head of Finance (HOF). The reports are sent to the Project Officer (PO) who performs a variance analysis of the budget. The PO provides a report that explains all expenditures with significant variances. The HOF reviews the budget analysis reports and makes recommendations for further action. Those recommendations are communicated to all concerned parties.

Cause: Although The Colombo Plan does have written budget monitoring and control procedures, The Colombo Plan management has not enforced its implementation to ensure that the administrative cost rate as stated in the Project Proposal is applied to direct costs in accordance with State requirements. We determined that The Colombo Plan lacks a mechanism, such as an edit check, to ensure administrative costs charged to the project are limited to the proposed budget percentage and amount.

Effect: Not enforcing its own budget monitoring and control procedures limits The Colombo Plan's ability to be more effective and efficient in the accountability of administrative costs and properly account for the correct amount that should be applied to actual direct costs incurred on each LOA. The inadequate budget monitoring process increases the risk that the U.S. Government is improperly charged for costs under the LOAs. State relies on The Colombo Plan to monitor the budget accountability of its funds, therefore, the absence of sufficient policies and procedures over budget monitoring may hinder State's ability to determine and fully account for the resources and activities specifically funded by State's INL.

Questioned Cost: \$2,137,941 in ineligible costs related to overcharged administrative costs.

¹⁶ Project Proposals are part of the LOAs between The Colombo Plan and the State. For each LOA, the Project Proposal states that 14% is budgeted for administrative costs.

Recommendation: We recommend that The Colombo Plan:

1. Review, enhance and enforce its budget monitoring control procedures to fully and accurately account for administrative costs in accordance with the terms and conditions of the related LOAs.
2. Refund administrative costs in the amount of \$2,137,941 that were overcharged to State.

Finding 2019-07: Unexpended Funds Not Remitted to the Government

Nature of Finding: Material Weakness in Internal Control and Noncompliance

Condition: During our review of The Colombo Plan’s nine LOAs, we determined that The Colombo Plan did not return excess funds to the State’s INL as required by State. The Colombo Plan received \$53,671,817 in funds from the State’s INL and expended \$39,338,324 during the period October 30, 2014 through December 31, 2018. We calculated that The Colombo Plan had \$14,333,493 in excess cash on hand, of which \$1,755,032 had been reprogrammed to several LOAs/projects. The remaining unexpended amount of \$12,578,461 in excess cash corresponds to seven closed-out LOAs (\$6,686,661).

The table below details the unexpended questioned amount for each Closed LOA.

Closed LOAs						
Award Number	Funds Received	Reprogramming from Other Projects	Reprogramming to Other Projects	Adjusted Budget After Reprogramming	Expenses	Unexpended Amount
2015-3A	\$ 2,000,000	\$ 18,250	(\$ 80,216)	\$ 1,938,034	\$ 1,921,745	\$ 16,289
2015-3C	1,362,650	581,412	-	1,944,062	1,886,856	57,206
2015-3D	2,633,448	293,872	-	2,927,320	2,656,819	270,501
SINLEC15VC0204	11,032,851	-	(74,786)	10,958,065	8,793,799	2,164,266
SINLEC15VC0205	9,696,450	441,777	(599,662)	9,538,565	8,666,378	872,187
SINLEC15VC0226	2,034,039	-	-	2,034,039	590,098	1,443,941
SINLEC15VC0262	10,944,807	828,599	(1,000,368)	10,773,038	8,910,767	1,862,271
Totals	\$ 39,704,245	\$ 2,163,910	(\$ 1,755,032)	\$ 40,113,123	\$ 33,426,462	\$ 6,686,661

Additionally, The Colombo Plan did not deposit funds received from the State’s INL in an interest-bearing account as required. Estimated interest income, which should have been remitted to the United States Treasury had it been earned. The table below shows the calculation of the estimated loss in interest income.

LOA Number	Unexpended Funds	End of PoP ¹⁷	Estimated Interest Amount	Less: Administrative Costs	Total Estimated Interest Income, Net of Administrative Costs
2015-3A	\$ 16,289	11/15/16	\$ 2,365	\$ 1,000	\$ 1,365
2015-3C	57,206	9/12/16	7,897	1,000	6,897
2015-3C	270,501	9/1/16	34,827	1,000	33,827
SINLEC17VC0204	2,164,266	9/30/17	133,919	500	133,419
SINLEC17VC0205	872,187	6/29/15	187,702	1,500	186,202
SINLEC17VC0226	1,443,941	10/25/18	-	-	-
SINLEC17VC0262	1,862,271	10/18/17	109,391	500	108,891
Totals	\$ 6,686,661		\$ 476,101	\$ 5,500	\$ 470,601

For the purpose of calculating our estimated interest income on unexpended funds we used Sri Lanka’s lowest deposit interest rate during the years 2015 through 2018¹⁸.

¹⁷ PoP = Period of Performance

¹⁸ Sri Lanka’s deposit annual average interest rates from 2015 through 2018 were: 2015, 6.50%; 2016, 6.00%; 2017, 7.25%; and 2018, 7.25%.

Criteria: The State's INL letter of agreement requires that funds be returned if they are not spent within the anticipated period of performance.

2 CFR § 200.305 – Payment states that Non-Federal entity must maintain advance payments of Federal awards in an interest-bearing account.

Department of State Handbook, 4 FAH-3 H-622.8, Provisions for Refunds, states that Funds obligated by a bureau but not disbursed to the recipient at the time the award expires or is terminated must revert to the bureau, except for such funds encumbered by the recipient by a legally binding transaction applicable to this award. Any funds advanced to but not expended by the recipient within 90 days after the time of expiration or termination of the award must be refunded to the bureau.

Cause: Although The Colombo Plan does have policies and procedures to maintain accountability of funds received, The Colombo Plan management has not developed procedures to ensure unexpended funds are returned to State in a timely manner. It is The Colombo Plan's management's understanding that based on the terms of the LOA, they are not required to deposit the funds received in an interest-bearing account. We determined that The Colombo Plan's management may not have a full understanding of all applicable regulatory requirements related to maintaining funds in an interest-bearing account or the timeline requirements for returning unexpended funds to State.

Effect: The absence of appropriate funds management protocols and clear understanding of requirements for handling unexpended funds increases the risk of waste, fraud, or abuse of government funds if The Colombo Plan does not return government funds on a timely basis. In addition, failure to not deposit the funds in an interest-bearing account results in loss of interest income to the US Government. As a result, we calculated \$6,686,661 in excess cash on hand for the seven closed LOAs that should be returned to State. We also calculated \$470,601¹⁹ in lost interest income that should be remitted to the government due to The Colombo Plan's failure to deposit unexpended funds in an interest-bearing account.

Questioned Amount: We questioned \$7,157,262 in ineligible costs. This is comprised of \$6,686,661 in unexpended funds and \$470,601 in lost interest income.

Recommendation: We recommend that The Colombo Plan:

1. Review regulatory, LOA, and State requirements for funds received to ensure a full understanding of timely compliance with cash on-hand requirements for return of unexpended funds to State.
2. Update policies and procedures to require that State funds received be deposited in interest-bearing accounts in compliance with applicable regulations.

¹⁹ Total estimated interest income is net of \$5,500 in allowable administrative costs of \$500 per year. Four of the LOAs were for more than a year. See calculation in the table above.

3. Return to State the unexpended amount of \$6,686,661 for the seven closed-out LOAs as required.
4. Remit \$470,601 to the United States Government for federal dollars in lost interest income on the unexpended funds not returned timely.

Finding 2019-08: Administrative Costs Incorrectly Identified as Direct Costs in LOAs

Nature of Finding: Material Weakness in Internal Control and Noncompliance

Condition: The Colombo Plan applied a 5% administrative cost to direct costs in six LOA project proposals submitted to State INL and then charged an additional 14% in administrative costs to the ineligible direct costs. The six LOA project proposals did not provide the cost description (e.g. supplies, postage, administrative salaries) and the specific amount for each of the separate costs proposed as administrative cost. Also, the project proposals did not provide a budget narrative to explain what was considered an administrative cost for purposes of the 5% calculation that was added to direct costs. Therefore, we could not easily, and with a high level of accuracy, determine that the 5% administrative cost claimed was incurred in support of a specific LOA and was an eligible direct cost. The calculation of ineligible costs that are questioned is shown below by LOA:

LOA No.	Project No.	Ineligible Costs			
		Total Applicable Direct Costs	Ineligible Administrative Cost Charged as Direct Costs (5%)	Administrative Costs (at 14%)	Total Questioned Cost
2015-3A	2015-3A	\$ 1,098,307	\$ 54,915	\$ 7,688	\$ 62,603
2015-3C	2015-3C	161,061	8,053	1,127	9,180
2015-3D	2015-3D	1,283,540	64,177	8,985	73,162
SINLEC15VC0262	2015-3B	1,697,515	84,876	11,883	96,759
SINLEC17VC0204	2016-AF-003	1,179,945	58,990	8,259	67,249
SINLEC17VC0343	2017-AF-003	633,901	31,695	4,437	36,132
Total			\$ 302,706	\$ 42,379	\$ 345,085

Criteria:

Department of State Handbook, 4 FAH-3 H-622.2; Recipient’s Indirect Costs

- 1) Indirect Costs are the costs of an organization that cannot be specifically identified as having been incurred in support of a particular award. Paragraph 200.414(a), Facilities and Administration Classification, of 2 CFR 200 recognizes administration as one of the two broad categories of indirect costs and define administration as general administration and general expenses such as the director’s office, accounting, personnel, and all other types of expenditures not listed specifically under facilities.

- 2 CFR § 200.403 – Factors affecting allowability of cost states that 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.

- 2 CFR, § 200.413 - Direct costs
 - (a) General. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

(b) Application to Federal awards. Identification with the Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards. If directly related to a specific award, certain costs that otherwise would be treated as indirect costs may also include extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations.

Cause: The Colombo Plan management stated that according to the project proposals approved by State INL, the 5% administrative fee for implementing partners is included as a direct cost. Management stated that this is the current agreement and approved practice between State INL and The Colombo Plan.

Effect: The Colombo Plan's treatment of the 5% administrative cost as direct costs is a violation of the 2 CFR 200 and resulted in State funding ineligible direct costs for six Colombo Plan LOAs. This represents a waste of government funds that could have been put to better use.

Questioned Cost: We questioned \$345,085. This is comprised of \$302,706 in ineligible direct costs plus \$42,379 in related administrative costs.

Recommendation: We recommend that The Colombo Plan:

1. Review regulatory definitions of direct and administrative costs and update the budget policy to include procedures for the review, approval and management certification that direct and administrative costs have been properly aligned in the budget proposal to comply with applicable regulatory definitions.
2. Reimburse State the total questioned cost of \$345,085, which includes \$302,706 in ineligible direct costs and \$42,379 in associated administrative costs.

Finding 2019-09: Failure to Comply with Reporting Requirements

Nature of Finding: Internal Control Deficiency and Noncompliance

Condition: The Colombo Plan failed to comply with federal reporting requirements when it did not: 1) document the submission date of quarterly and close-out reports and; 2) provide copies of quarterly and close-out reports for our review. Below is a summary of reporting deficiencies for each LOA and report:

Quarterly Reports

Description	Period of Performance From	Period of Performance To	LOAs
Submission Date Not Documented	7/3/2017	10/25/2018	SINLEC17VC0226
	9/29/2015	10/28/2017	SINLEC15VC0262
	1/17/2017	7/16/2018	SINLEC17VC0204
Quarterly Report Not Provided	10/16/2015	11/15/2016	2015-3A
	4/12/2016	9/29/2016	2015-3C
	4/1/2016	9/29/2016	2015-3D
	10/30/2014	6/29/2015	SINLEC15VC0205
	9/29/2015	10/28/2017	SINLEC15VC0262

Close-out Reports

Project ID	LOAs
Submission Date Not Documented	
2015-55	SINLEC15VC0262
2016-AF-004	SINLEC17VC0204
2016-6B	
Close-out Report Not Provided	
2015-3A	2015-3A
2015-3C	2015-3C
2015-3D	2015-3D
2014-3	SINLEC15VC0205
2014-4	
2014-11A	
2016-AF-007	SINLEC17VC0225
2015-3B	SINLEC15VC0262
2015-11A	
2015-5B	
2015-8A	
2015-12 (2015-6)	
2015-12A	
2015-55A	
2015-5A	

2015-12A	SINLEC17VC0204
2015-28A	
2016-12	
2016-AF-001	
2016-AF-002	
2016-AF-003	
2016-AF-005	
2016-AF-009	

Criteria:

2 CFR § 200.328

Monitoring and Reporting Program Performance states that the terms and conditions of the agreement will prescribe the frequency with which the performance reports shall be submitted. Except as provided in paragraph 226.51(f), performance reports will not be required more frequently than quarterly or, less frequently than annually. Annual reports shall be due 90 calendar days after the award year; quarterly or semi-annual reports shall be due 30 days after the reporting period. Federal awarding agency or pass-through entity may require annual reports before the anniversary dates of multiple year awards in lieu of these requirements. The final performance reports are due 90 calendar days after the expiration or termination of the award.

2 CFR § 200.333

Retention requirements for records state that financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.

Letters of Agreement state that The Colombo Plan is to provide the State’s INL with regular narrative and financial progress reports on the activities undertaken with these funds, with particular attention to monitoring and evaluation of the outputs and activities outlined in the project/program proposal, and in accordance with stated performance indicators.

Substantive project/program reports, including interim, uncertified financial reports, the costs of which are to be included in the project/program proposal, will be provided on a quarterly basis using the quarterly reporting template in Attachment I to this LOA. Final, certified financial reports will be provided on an annual basis after the closing of The Colombo Plan's accounts. A final report should be provided upon completion of the project/program within six months of the date of completion, in The Colombo Plan format.

The Colombo Plan Financial Manual

- §4.9.1 A periodic accounting of funds and property related to special funds is to be made to benefactors.

- §4.9.2 Regular accounting reports should be sent to donors summarizing the receipt, use, management and disposition of all contributions in the required reporting format.
- §4.9.2 Reports should be prepared quarterly/annually to donors on the deposit, management and disposition, and use of the funds in accordance with specified reporting formats.

Cause: We determined that management did not ensure a record retention process was in place and operating effectively for retaining evidence of report submission as required by the LOAs. We also determined that The Colombo Plan management did not properly review the reports we examined to ensure all information, such as report date, was completed as required.

Effect: State's INL relies on The Colombo Plan to monitor and report on the programmatic results and the financial accountability of funds it receives from State. By not submitting progress and financial reports as required, The Colombo Plan hinders the State's INL ability to assess and fully account for the resources and activities specifically funded by State's INL and to make decisions on how to mitigate potential programmatic and compliance concerns.

Questioned Cost: None. There is no monetary effect of a non-compliance with reporting requirements.

Recommendation: We recommend that The Colombo Plan:

1. Revise its Financial Manual document retention policy to include the record keeping requirements related to submission of required program and financial reports.
2. Enforce The Colombo Plan's policies and procedures to ensure that reports are prepared for and submitted to donors in accordance with the specified reporting formats and record retention requirements.

Finding 2019-10: Unauthorized Reprogrammed Funds

Nature of Finding: Material Weakness in Internal Control and Noncompliance

Condition: The Colombo Plan management reprogrammed \$1,755,032 in funds to several LOAs/projects that included \$18,250 in funds reprogrammed without the authorization of the State’s INL. We determine these unauthorized reprogrammed funds to be unsupported costs. The table below details The Colombo Plan’s reprogrammed funds:

From LOA	To LOA	Comments	Amount
2014-3	2015-3C	Reprogrammed from a 2013 LOA.	\$ 581,412
SINLEC15VC0205	2015-3A	Reprogrammed to a different LOA	18,250
2015-3A	2015-3D	Reprogrammed to a different LOA	80,216
2015-3B	2015-3D	Reprogrammed to a different LOA	213,656
SINLEC15VC0262	SINLEC17VC0343	Reprogrammed to a different LOA	75,214
SINLEC15VC0262	SINLEC15VC0262	Reprogrammed to a different project within the same LOA	404,681
SINLEC15VC0262	SINLEC15VC0262	Reprogrammed to a different project within the same LOA	306,817
SINLEC17VC0204	SINLEC17VC0343	Reprogrammed to a different LOA	74,786
Total Reprogrammed Amount			\$ 1,755,032
Less: Reprogramming properly deducted in the budget of the new LOAs			(1,025,284)
Funds moved within the same LOA			(711,498)
Total Unauthorized Reprogrammed Funds			\$ 18,250

Criteria:

Letters of Agreement (LOA) state that none of these funds may be used for other programs or for the benefit of countries not identified in the project description without the Department of State Bureau of International Narcotics and Law Enforcement Affairs (INL) consent. It also states that funds should be returned if they are not spent within the anticipated period of performance.

Cause: Although The Colombo Plan does have policies and procedures to maintain appropriate accountability of the funds received and written budget monitoring and control procedures, The Colombo Plan management did not enforce the implementation of such policies and procedures to ensure that funds were properly reprogrammed during the period of performance, or returned if they were not spent as required by the LOAs.

Effect: The Colombo Plan’s failure to adhere to reprogramming requirements increases the likelihood that funds are spent in a manner not in keeping with the INL’s program goals; and increases the risk of waste, fraud, and abuse of taxpayer dollars.

Questioned Cost: We questioned \$18,250 in unsupported costs related to unauthorized reprogrammed funds.

Recommendation: We recommend that The Colombo Plan:

1. Review the requirements for reprogramming unexpended funds and update its procedures for reprogramming LOA funds so that evidence of proper approval for reprogramming is obtained from the State's INL prior to taking such action.
2. Reimburse State the total questioned cost of \$18,250 related to unauthorized reprogrammed funds or provide the State's INL with evidence that it approved the reprogramming of the funds in question.

Appendix A – Management’s Response to the Findings and Recommendations



THE COLOMBO PLAN

For Co-operative Economic and Social Development in Asia and the Pacific

Ref: CP/DAP/GEN - 2020/12

July 15, 2020

Williams, Adley & Company-DC, LLP
 1030 15th Street, NW, Suite 350 West
 Washington, DC 20005

Dear Mr. Juan Lasantha,

In relation to the draft audit report submitted by Williams Adley on the financial audit of costs incurred under Letter of Agreement (LOA) Numbers, 2015-3A, 2015-3C, 2015-3D, SINLEC15VC0205, SINLEC15VC0262, SINLEC17VC0204, SINLEC17VC0226 SINLEC17VC0293, and SINLEC17VC0343 at the request of The Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR), please find below CPDAP responses.

Finding	Response	Explanation
<p>2019-01: Unsupported Non-Labor Costs</p> <p>The Colombo Plan did not retain documentation to support \$11,418,091 in non-labor costs incurred between October 30, 2014 and December 31, 2018. This amount includes \$1,442,180 in costs incurred at The Colombo Plan headquarters in Sri Lanka and \$9,975,911 in funds The Colombo Plan provided to its partners located in Afghanistan.</p> <p>The table below details the questioned cost for the unsupported amounts, which includes the auditor’s</p>	<p>Disagree</p>	<p>CPDAP does maintain books, records, documents, and other evidence in accordance with Colombo Plan’s usual accounting procedures. The figure of USD1,442,180 identified as unsupported at Colombo Plan HQ is based on 20 expenditure items identified during the audit. Out of the 20 items identified, supporting documents are available with CPDAP for 17 items which adds up to USD1,440,119.37 in value (99.9% of the questioned value). These documents were looked up as soon as CPDAP received the audit schedule on the unsupported expenses from the auditors prior to the exit conference. The available documents can be produced to the donor upon request.</p>

Page 1 of 6

No. 52, Ananda Coomaraswamy Mawatha, Colombo 03, P.O.Box 596, Sri Lanka
 Tel.: +94-11-257 6322 Fax: +94-11-257 6311
 Email: info@colomboplan.org Website: www.colombo-plan.org

<p>calculation of 14% in administrative costs (\$1,598,532) associated with the unsupported costs.</p>		<p>CPDAP also requires its partners to maintain books, records, documents, and other evidence as a practice. The supporting documentation of expenditure incurred by the Independent Partners (IPs) are maintained with the IPs (stakeholders). We had clearly and on multiple occasions informed the auditors the location of the supporting documents. CPDAP also offered to collect the supporting documentation. We were instructed not to do so as the auditors wanted to travel on-site to view the treatment centers and to review the supporting documentation on-site. However, due to security concerns, the auditors were not able to travel to the sites. CPDAP again offered to collect the documentation and was again instructed not to do so as the auditors would contract with a local Afghan firm to review the documentation on-site. Again, that local audit firm could not travel due to security concerns. CPDAP was then given 3 days before the end of the audit period (January 26) to collect the documentation from various provinces and cities. Due to security issues prevalent at the time in Afghanistan, this was impossible. Subsequent to the exit conference call the CPDAP team worked with Ministry of Public Health in Afghanistan (MoPH) during the month February 2020 and arranged the secure transfer of supporting documents weighing 1,020 pounds (half a metric ton) from treatment centers in Afghanistan to Colombo Plan HQ in Colombo, Sri Lanka. These documents can be produced to the donor upon request.</p>
<p>2019-02: Unsupported Payroll Costs</p> <p>During our payroll testing at The Colombo Plan headquarters, we randomly selected and reviewed 205 payroll payments to employees paid between October 30, 2014 and December 31, 2018. We noted that The Colombo Plan did not obtain or retain bank transfer documentation to certify and validate payments</p>	<p>Disagree</p>	<p>All relevant documentation to substantiate the accuracy of the payments highlighted by the auditors is available with CPDAP and can be provided upon request.</p>

<p>for 5 of the 33 employees, which totaled \$13,827 in unsupported payroll costs and \$1,936 in associated administrative costs.</p>		
<p>2019-03: Failure to Withhold Income Taxes</p> <p>During our payroll testing at The Colombo Plan headquarters, we randomly selected and reviewed 205 payroll payments of 33 employees paid between October 30, 2014 and December 31, 2018 of which 21 were local Afghanistan employees. For those 21 Afghan employees, we noted that income tax was not withheld and remitted to the Afghanistan Ministry of Finance (MOF). The Colombo Plan is responsible for distributing the gross salary appropriately between the employee and the MOF and would be responsible for any penalties incurred for not paying the taxes.</p>	<p>Disagree</p>	<p>Colombo Plan is registered as an International Organization in Afghanistan and is recognized as a diplomatic mission with all diplomatic privileges. As such no taxes are applicable to Colombo Plan operation in Kabul.</p>
<p>2019-04: Ineligible Danger Pay</p> <p>During our disbursement testing, we determined that The Colombo Plan paid \$2,599 for Danger Pay to three local employee staff (LES) who were not United States citizens (U.S. citizens). Further, we determined that The Colombo Plan also charged State 14%, or \$364, in administrative costs related to the Danger Pay payments for which cost eligibility was not confirmed.</p>	<p>Disagree</p>	<p>CADAP has not received any direction on danger pay being applicable only to US citizens. All payments are highlighted in the monthly reports submitted to donor.</p>
<p>2019-05: Unsupported Level of Effort in Time and Attendance Records</p> <p>During our payroll testing at The Colombo Plan</p>	<p>Disagree</p>	<p>The CPDAP project staff salaries are included in project proposals and paid out in agreement with the donor. As a practice CPDAP does not maintain time sheets recording the effort project wise as the staff</p>

<p>headquarters, we tested all 33 of The Colombo Plan employees assigned to the LOAs and randomly selected and reviewed 205 payroll payments to the 33 employees paid between October 30, 2014 and December 31, 2018. We noted that none of the 33 employees, who worked on multiple projects, documented their level of effort (LOE) in their attendance records. For the 33 employees tested, we questioned \$385,930 in unsupported payroll costs and \$54,030 in associated administrative costs because based on documentation provided we were not able to determine how much labor cost was associated with each LOA</p>		<p>salaries are not charged to projects on a charge out rate and time spent. The amounts highlighted for salaries in the project budgets agreed with the donor are utilized in paying the staff. However, staff attendance is monitored and attendance sheets are maintained.</p>
<p>2019-06: Administrative Costs Do Not Comply with Letters of Agreement</p> <p>During our testing of administrative costs under The Colombo Plan's nine LOAs (seven of which were in the close-out process), we noted that The Colombo Plan overcharged administrative costs to State's INL for six of the nine LOAs in the amount of \$2,137,941. The actual average percentage of administrative costs incurred was 19.10% compared to the 14% budgeted for administrative costs as stated in the Project Proposals.</p>	<p>Disagree</p>	<p>The special purpose financial statements (submitted to auditors) were prepared to reflect the figures in the report submitted to INL. The reports submitted to INL, highlights a deduction of 14% as Administration Funds. As such, 14% is deducted from the total grant to highlight the funds available for the execution of the project (to derive the Project Balance). This format helps the monitoring of the funds available for the execution of the project and also prevent overspending. However, when project funds are returned to the donor the applicable 14% is also returned. There is no overcharge to the Department of State. Past practice demonstrates this.</p> <p>No funds related to the LOAs audited were returned during the period of the audit or subsequently. However, documentation relevant to a past fund transfer demonstrate that when funds are transferred to INL due to a closure of a project, the relevant administrative fees (14%) related to the balance returned to INL is also transferred. The documentation and correspondence related to this transfer can be provided to the donor upon request.</p>

<p>2019-07: Unexpended Funds Not Remitted to the Government</p> <p>During our review of The Colombo Plan's nine LOAs, we determined that The Colombo Plan did not return excess funds to the State's INL as required by State. The Colombo Plan received \$53,671,817 in funds from the State's INL and expended \$39,338,324 during the period October 30, 2014 through December 31, 2018. We calculated that The Colombo Plan had \$14,333,493 in excess cash on hand, of which \$1,755,032 had been reprogrammed to several LOAs/projects. The remaining unexpended amount of \$12,578,461 in excess cash corresponds to seven closed-out LOAs (\$6,686,661).</p>	<p>Disagree</p>	<p>CPDAP does not hold on to unexpended funds. Out of USD6.6mn identified as unexpended by auditors as at December 31, 2018, USD2.9mn has been reprogrammed with INL approval subsequent to the date of the audit. For projects with an identified unexpended amount of USD1.7 million APCEDAs (Project Extensions) have been issued by INL subsequent to the date of the audit (all project extensions are carried out with the approval of INL). Also, it should be noted that SINLEC17VCO226 is an ongoing agreement with the POP of November 23, 2020. In addition, two projects in SINLEC15VCO262 and three projects in SINLEC17VCO204 was open as at December 31, 2018.</p> <p>The documentation relevant to reprogramming and APCEDAs are available with CPDAP and can be produced to INL upon request.</p>
<p>2019-08: Administrative Costs Incorrectly Identified as Direct Costs in LOAs</p> <p>The Colombo Plan applied a 5% administrative cost to direct costs in six LOA project proposals submitted to State INL and then charged an additional 14% in administrative costs to the ineligible direct costs. The six LOA project proposals did not provide the cost description (e.g. supplies, postage, administrative salaries) and the specific amount for each of the separate costs proposed as administrative cost. Also, the project proposals did not provide a budget narrative to explain what was considered an administrative cost for purposes of the 5% calculation that was added to direct costs. Therefore, we could not easily, and with a high level of</p>	<p>Disagree</p>	<p>The 5% Administration Fees payment to Independent Partners (IPs) has been paid as per the current agreement between CPDAP and INL. According to the project proposals approved by INL, the 5% Administrative Fees for Implementing Partners (Stakeholders-separate legal entities) are included as a Direct Cost. It is important to note that these are allowable charges as all Afghan DTC project budgets are developed in collaboration with the donor.</p> <p>All these project budgets are approved in advance by the INL/AP project officer, the INL/AP AOR, INL/AP finance staff and INL finance officers in the INL/EX office. Colombo Plan is therefore disbursing funds according to approved INL project budgets where these 5% charges were approved by INL. If this 5% Administration Fees paid to Implementing Partners (Stakeholders) are to be paid through the DAP 11% Administration Fund, it would constitute a change in the current agreement between INL and CPDAP. If the current practice is to be changed, it has to be agreed upon by CPDAP and INL.</p>

<p>accuracy, determine that the 5% of administrative cost claimed was incurred in support of a specific LOA and was an eligible direct cost.</p>		
<p>2019-09: Failure to Comply with Reporting Requirements</p> <p>The Colombo Plan failed to comply with federal reporting requirements when it did not: 1) document the submission date of quarterly and close-out reports and; 2) provide copies of quarterly and close-out reports for our review.</p>	<p>Partially Agree</p>	<p>CPDAP recognizes that submitting quarterly reports is as part of the project deliverables. As such the preparation and submission of quarterly reports is carried out. However, we are unable to locate the quarterly reports of six projects out of the fifteen projects highlighted. Out of the twenty two projects for which it was identified as closing reports were unavailable, four projects highlighted as closed by the auditors are still on going, three were continuation of same project, and two projects with expired POPs were under discussion on future course of action. Out of the thirteen closed projects closing reports were available for two projects. Colombo Plan is already working on implementing system in monitoring and tracking of closing reports.</p>
<p>2019-10: Unauthorized Reprogrammed Funds</p> <p>The Colombo Plan management reprogrammed \$1,755,032 in funds to several LOAs/projects that included \$462,122 in funds reprogrammed without the authorization of the State's INL. We determine these unauthorized reprogrammed funds to be unsupported costs. The table below details The Colombo Plan's reprogrammed funds:</p>	<p>Disagree</p>	<p>All reprogramming of funds is always carried out with the knowledge and agreement of the donor.</p> <p>Of the highlighted amount of USD462,122, USD80,216 of 2015-3A was reprogrammed to 2015-3D and was included in the project proposal approved by INL. Similarly, USD213,656 of 2015-3B was reprogrammed to 2015-3D and was included in the project proposal approved by INL. USD 75,214 of 2015-8A and USD74,786 of 2016-AF-002 totaling to 150,000 was reprogrammed to 2017-AF-002 and approved by INL. Project 2016-6B (USD18,250) has not been repurposed as at the date of this report. The supporting documents relevant to the reprogramming is available with CPDAP and can be presented to INL on request.</p>

Nathalie Panabokke

July 15, 2020

Nathalie Panabokke
 Acting Director Drug Advisory Programme
 The Colombo Plan

Mahinda Gunaratne

July 15, 2020

Mahinda Gunaratne
 Director Finance
 The Colombo Plan Secretariat

Appendix B – Auditor’s Response to Management Comments

Williams, Adley & Company-DC, LLP (Williams Adley or auditor) has reviewed the letter dated July 15, 2020 containing The Colombo Plan’s responses to the draft audit report. In consideration of those views, we have included the following rebuttal to certain matters presented by the auditee regarding findings 2019-01, 2019-02, 2019-03, 2019-04, 2019-05, 2019-06, 2019-07, 2019-08, 2019-09 and 2019-10.

Based on review of The Colombo Plans’ comments, Williams Adley revised Finding 2019-10 of the report by reducing the questioned cost amount from \$462,122 to \$18,250.

Finding 2019-01: Unsupported Non-Labor Costs

The Colombo Plan disagrees with this finding and asserts that it does maintain books, records, documents, and other evidence in support of expenditures in accordance with The Colombo Plan’s usual accounting procedures and requires its implementation partners (IPs) to do the same. The Colombo Plan states that “These documents were looked up as soon as CPDAP [The Colombo Plan] received the audit schedule on the unsupported expenses from the auditors prior to the exit conference” and maintains that such documents can be produced upon the donor’s request. The Colombo Plan also states that it offered to collect the documentation from its IPs but was instructed by the auditor not to do so.

While Williams Adley recognizes the effort that The Colombo Plan made to coordinate the retrieval and submission of documents, the auditee to this date has not provided documentation to support \$11,418,091 in non-labor costs billed to the government under 23 projects. Because The Colombo Plan did not provide supporting documentation to the auditor within the extended time frame, the finding and recommendations remain unchanged.

Finding 2019-02: Unsupported Payroll Costs

The Colombo Plan disagrees with this finding and stated that “All relevant documentation to substantiate the accuracy of the payments highlighted by the auditors is available with CPDAP [The Colombo Plan] and can be provided upon request.”

As Williams Adley was not provided with documentation to support the amount questioned either during the audit, or during the extended grace period after the exit conference, the finding and recommendations remain as stated.

Finding 2019-03: Failure to Withhold Income Taxes

The Colombo Plan disagrees with this finding and states that it “...is registered as an International Organization in Afghanistan and is recognized as a diplomatic mission with all diplomatic privileges.” The auditee maintains that no taxes are applicable to The Colombo Plan operation in Kabul.

According to the letters of agreement (LOAs) that Williams Adley audited, The Colombo Plan is a partnership of 27 Member countries created around a concept of self-help and mutual help in development aimed at socio-economic progress in Asia and the Pacific. The principal objectives of the LOAs were to assist State and Afghan implementers with drug treatment, drug demand reduction, and drug treatment center monitoring services in several Afghan provinces. Williams Adley contends that employees that were Afghanistan citizens were required to pay taxes under the Afghanistan Tax Law. Afghanistan Tax Law requires The Colombo Plan to withhold income tax from its Afghan employees and remit such amount to the Afghanistan Ministry of Finance. Nothing in the auditee's response has changed this fact, and so the finding and recommendations remain unchanged.

Finding 2019-04: Ineligible Danger Pay

The Colombo Plan disagrees with this finding and states "CPDAP [The Colombo Plan] has not received any direction on danger pay being applicable only to U.S. citizens. All payments are highlighted in the monthly reports submitted to donor."

Based on applicable regulations, Williams Adley reiterates that local employee staff are not eligible for danger pay. The Department of State Standardized Regulations, CHAPTER 650 *Danger Pay Allowance*, clearly defines who is eligible for danger pay. The regulations state that danger pay may be paid to non-citizen employees to the extent that the payment of such allowance and differential to non-citizen employees is authorized by a provision of law other than 5 U.S.C. 5921-5928. The Colombo Plan did not reference a provision of law other than 5 U.S.C. 5921-5928 and nothing in the auditee's response relieves them of their obligation to adhere to State regulations. As such, the finding and recommendations remain as stated.

Finding 2019-05: Unsupported Level of Effort in Time and Attendance Records

The Colombo Plan disagrees with the finding and asserts that project staff salaries are included in project proposals and paid out [as agreed to by the donor]. The Colombo Plan states that as a practice it does not maintain time sheets [that record effort by project] as the staff salaries are not charged to projects [using a rate for time spent]. The Colombo Plan also states that staff attendance is monitored, and attendance sheets are maintained.

While Williams Adley acknowledges the explanations provided in The Colombo Plan's response, sufficient audit evidence was not presented to the auditor to support how much labor cost was associated with each LOA in accordance with federal regulations. Also, it is important to note that budget estimates alone do not qualify as support for charges to federal awards. As such, the finding and recommendations remain unchanged.

Finding 2019-06: Administrative Costs Do Not Comply with Letters of Agreement

The Colombo Plan disagrees with this finding and states "The special purpose financial statements submitted to the auditors were prepared to reflect the figures in the reports submitted to INL. The reports submitted to INL highlight a deduction of 14% as [Administrative] Funds. As such, 14% is deducted from the total grant to highlight the funds available for the execution of the project (to derive the Project Balance). This format

helps the monitoring of the funds available for the execution of the project and prevents overspending.” The Colombo Plan also states “However, when project funds are returned to the donor the applicable 14% is also returned.” The auditee asserts that there is no overcharge to the Department of State, as past practice demonstrates, and no funds related to the LOAs audited were returned during the period of the audit or subsequently.

Williams Adley refutes the auditee’s statement that there is no overcharge to the Department of State as no documentation was provided to the auditor to support that the funds in question were reimbursed to State INL. In addition, The Colombo Plan did not address in its response the reason why it charged the government administrative costs in excess of the percentage approved in the LOAs. As such, the finding and recommendations remain as stated.

Finding 2019-07: Unexpended Funds Not Remitted to the Government

The Colombo Plan disagrees with this finding and asserts that it does not hold on to unexpended funds. The auditee stated that “Out of USD6.6mn identified as unexpended by auditors as [of] December 31, 2018, USD2.9mn [was] reprogrammed with INL approval subsequent to the date of the audit.” The Colombo Plan also stated that “SINLEC17VC0226 is an ongoing agreement with a period of performance (PoP) ending on November 23, 2020 and two projects in SINLEC15VC0262 and three projects in SINLEC17VC0204 [were] open as [of] December 31, 2018.”

The Colombo Plan did not include a response to the portion of the finding related to not having deposited advances of a federal award in an interest-bearing account according to 2 CFR § 200.305 (8). Per the LOAs, State INL requires that any interest earned on government funds be submitted to the United States Treasury.

Because the LOAs do not explicitly state the PoP, Williams Adley has included the table below to identify respective periods of performance. The PoPs were calculated using the countersigned date of the LOA as the start of the period while the end of the period was calculated based on the number of months listed in the LOA, and when not listed in the LOA the period included in the project proposal was used.

Award Number	Countersigned Date	LOA Period of Performance	Period of Performance	
2015-3A	16/October/2015	13 months	10/16/15	11/15/16 ²⁰
2015-3C	12/April/2016	-	4/12/16	9/29/16 ²¹
2015-3D	26/October/2016	6 months	4/1/16	9/29/16 ²⁰
SINLEC15VC0204	17/January/2017	Up to 18 months	1/17/17	8/18/18 ²¹
SINLEC15VC0205	30/October/2014	8 months	10/30/14	6/29/15 ²⁰

²⁰ End of the period based on the PoP as per the LOA

²¹ End of the period based on the PoP as per the project proposal

Award Number	Countersigned Date	LOA Period of Performance	Period of Performance	
SINLEC15VC0226	3/July/2017	-	7/3/17	10/25/18 ²⁰
SINLEC15VC0262	29/September/2015	Up to 25 months	9/29/15	10/28/17 ²⁰
Totals				

While Williams Adley acknowledges the explanations provided in The Colombo Plan’s response, we conclude that the auditee did not follow the requirements of the LOAs or the Department of State Handbook which state that unexpended funds be returned to the bureau if they are not spent within the period of performance. In addition, The Colombo Plan did not provide the auditor with evidence to support an extension of the PoP for those projects questioned. As such, the finding and recommendations remain unchanged.

Finding 2019-08: Administrative Costs Incorrectly Identified as Direct Costs in LOAs

The Colombo Plan disagrees with the finding and argues that the 5% of administrative cost charged as direct cost are allowable since they were included in the project proposal and approved by INL. Also, the auditee asserts that the 5% administrative fee payment to Implementing Partners was paid per the current agreement between The Colombo Plan and INL.

Williams Adley contends that neither The Colombo Plan project proposal, nor the comments made by the auditee in its response to the audit report, identified the cost description (e.g. supplies, postage, administrative salaries) and the specific amount for each of the separate costs proposed as administrative costs in each project proposal. Further, 2 CFR 200.403 states that one of the circumstances that may affect the allowability of a cost as a direct cost is when a cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost. The Colombo Plan charged 14% in administrative cost to each of its projects as an “indirect cost”. As such, the finding and recommendations remain as stated.

Finding 2019-09: Failure to Comply with Reporting Requirements

The Colombo Plan recognizes that quarterly reports are part of the required project deliverables and partially agrees with the finding that it did not submit some of the quarterly reports as required during the period under audit. Further, The Colombo Plan stated that it has started working on implementing a system to monitor and track quarterly reports.

While Williams Adley acknowledges the explanations provided in The Colombo Plan’s response, the auditee did not make the quarterly reports available to the auditor when requested. Additionally, as stated in our rebuttal to Finding 2019-07, The Colombo Plan did not provide the auditor with evidence that it obtained an extension of the period of performance for several of the projects that the auditor identified as closed. Therefore, the finding and recommendations remain unchanged.

Finding 2019-10: Unauthorized Reprogrammed Funds

The Colombo Plan disagrees with this finding and argues that “All reprogramming of funds is always carried out with the knowledge and agreement of the donor.” In its response, The Colombo Plan provides sufficient detail to enable Williams Adley to substantiate that the reprogramming of all but \$18,250 in funds was requested and approved by State INL. Williams Adley compiled the information presented in the table below based on verification of data provided by The Colombo Plan in its response:

From LOA	To LOA	Comments	Amount
2014-3	2015-3C	Reprogrammed from a 2013 LOA	\$ 581,412
SINLEC15VC0205	2015-3A	Reprogrammed to a different LOA	18,250
2015-3A	2015-3D	Reprogrammed to a different LOA	80,216
2015-3B	2015-3D	Reprogrammed to a different LOA	213,656
SINLEC15VC0262	SINLEC17VC0343	Reprogrammed to a different LOA	75,214
SINLEC15VC0262	SINLEC15VC0262	Reprogrammed to a different project within the same LOA	404,681
SINLEC15VC0262	SINLEC15VC0262	Reprogrammed to a different project within the same LOA	306,817
SINLEC17VC0204	SINLEC17VC0343	Reprogrammed to a different LOA	74,786
Total Reprogrammed Amount			\$ 1,755,032
Less: Reprogramming properly deducted in the budget of the new LOAs			(1,025,284)
Funds moved within the same LOA			(711,498)
Total Unauthorized Reprogrammed Funds			\$ 18,250

As such, Williams Adley has reduced the questioned cost related to this finding from \$462,122 to \$18,250.

Appendix C – Combined LOA Special Purpose Financial Statement

The Colombo Plan
 Special Purpose Financial Statement
 Combined LOA Worksheet
 October 30, 2014 to December 31, 2018

Cost Component	2015-3A	2015-3C	2015-3D	SINLEC15VC0205	SINLEC17VC0226	SINLEC15VC0262	SINLEC17VC0204	SINLEC17VC0293	SINLEC17VC0343	Total Combined
Communication & Courier Charges	\$ 1,322	\$ -	\$ -	\$ 59	\$ -	\$ 4,602	\$ 3,106	\$ 1,255	\$ 1,164	\$ 11,508
Consultancy Fee	-	-	-	-	-	256,892	308,800	184,956	187,335	937,982
Curriculum, Courses, and Training Costs	-	-	-	-	-	1,965,202	1,030,049	-	-	2,995,250
Kabul Office Operational Expense	-	-	-	166,613	-	277,110	238,358	-	270,330	952,411
Meetings	-	-	-	174,973	12,384	371,489	71,911	86,201	124,894	841,851
Monitoring Activities	2,866	-	-	19,338	9,394	30,671	25,032	18,917	18,888	125,105
Operational Cost of Treatment Centers	1,414,205	1,719,513	2,333,413	6,634,766	-	4,205,140	5,198,007	-	3,155,607	24,660,651
Salaries and Fringe Benefits	257,738	-	-	479,837	20,454	432,463	517,209	114,349	315,765	2,137,816
Scholarships	-	-	-	-	297,753	16,774	45,824	-	-	360,351
Other Expenses	-	-	-	-	319	5,880	591	1,051	-	7,842
Subtotals	\$ 1,676,131	\$ 1,719,513	\$ 2,333,413	\$ 7,475,585	\$ 340,304	\$ 7,566,223	\$ 7,438,887	\$ 406,728	\$ 4,073,983	\$ 33,030,768
Administrative Charge 14%	245,614	167,343	323,406	1,190,792	249,794	1,344,543	1,354,912	663,412	767,740	6,307,555
Total Incurred Costs - US Dollar	\$ 1,921,745	\$ 1,886,856	\$ 2,656,819	\$ 8,666,378	\$ 590,098	\$ 8,910,767	\$ 8,793,799	\$ 1,070,140	\$ 4,841,723	\$ 39,338,324

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.

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

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

Public Affairs

Public Affairs Officer

- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202