



MEMORANDUM

DATE: May 20, 2019

TO: USAID/Afghanistan Mission Director, Peter Natiello

FROM: USAID OIG Middle East and Eastern Europe Regional Office, USDH NFA Coordinator, Abdoulaye Gueye /s/

SUBJECT: Financial Audit of Costs Incurred by National Academy of Sciences, Under the PEER Grants Activity Program in Afghanistan, Cooperative Agreement AID-OAA-A-11-00012, July 25, 2011, to July 24, 2016 (8-306-19-025-N)

This memorandum transmits the final report on financial audit of costs incurred by National Academy of Science (NAS), under the PEER Grants Activity Program in Afghanistan, cooperative agreement AID-OAA-A-11-00012, July 25, 2011, to July 24, 2016. The agency contracted with the independent certified public accounting firm Crowe LLP to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the NAS's schedule of costs incurred; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to: (1) express an opinion on whether the schedule of costs incurred for the period audited, was presented fairly, in all material respects; (2) evaluate the NAS's internal controls; (3) determine whether NAS complied with award terms and applicable laws and regulations; and (4) determine whether the auditee has taken corrective action on prior audit report recommendations. To answer the audit objectives, the audit firm performed the

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

subject financial audit that covered \$793,503 for the period Jul 25, 2011 to Jul 24, 2016.

The auditors expressed an unmodified opinion on the schedule of costs incurred and did not identify any questioned costs. The audit firm did not identify any material internal control weaknesses but identified two significant deficiencies in internal control. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/Afghanistan determine if the recipient addressed the issues noted. The audit firm identified one instance of noncompliance related to the lack of staff training and an established policy to file sub-award reports and conduct an independent review.

To address the findings identified in the report, the auditors made recommendations to the auditee. We agree and recommend that USAID do the following:

Recommendation 1. *Verify that the National Academy of Sciences corrects the one instance of material noncompliance as detailed on page 18 of Crowe LLP audit report.*

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended to audit staff during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").