



MEMORANDUM

DATE: June 25, 2020

TO: USAID/Afghanistan Mission Director, Peter Natiello

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Audit Director, David Thomanek /s/

SUBJECT: Audit of the Fund Accountability Statement of the American University of Afghanistan, Support to the American University of Afghanistan Project, Cooperative Agreement AID-306-A-13-00004, August 1, 2015 to June 30, 2019 (8-306-20-034-N)

This memorandum transmits the final audit report on the fund accountability statement of USAID resources managed by the American University of Afghanistan (AUAF), Support to the American University of Afghanistan Project, cooperative agreement AID-306-A-13-00004, from August 1, 2015 to June 30, 2019. USAID/ Afghanistan contracted with the independent certified public accounting firm CliftonLarsonAllen LLP to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the USAID Financial Audit Guide for Foreign Organizations. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's fund accountability statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$51,315,345, from August 1, 2015 through June 30, 2019.

The audit firm expressed an unmodified opinion on the fund accountability statement and concluded that it presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The auditor questioned a total amount of \$1,221,748

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.

(\$1,220,315 ineligible and \$1,433 unsupported). The audit firm identified two material internal control weaknesses related to deficiencies in AUAF's controls over its billing and financial reporting processes. The audit firm identified three material instances of noncompliance. During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a letter to the Controller dated June 25, 2020.

To address the issues identified in the report, we recommend that USAID/Afghanistan:

Recommendation 1. Determine the allowability of \$1,221,748 in questioned costs (\$1,220,315 ineligible and \$1,433 unsupported) on pages 27, 28, and 32 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that the AUAF corrects the two material internal control weaknesses detailed on page 27 to 31 of the audit report.

Recommendation 3. Verify that the AUAF corrects the three material instances of noncompliance detailed on pages 32 to 37 of the audit report. ²

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended 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").

² Sub-findings number 2.1 and 2.2 under the second instance of material noncompliance, disclosed on page 32 of the audit report were previously reported to USAID through an official recommendation, under report number No. 8-306-19-113-R dated September 25, 2019, covering the period from July 01, 2017 to June 30, 2018. Accordingly, we are excluding these two sub-findings from this recommendation.