



*Office of Inspector General*

## MEMORANDUM

**DATE:** July 29, 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 Family Health International Under Multiple Awards in Afghanistan, January 1, 2018 to September 30, 2019 (8-306-20-046-N)

This memorandum transmits the final audit report on Family Health International incurred costs under the following awards:

Award Name (Type)	Award Number	Period	Sub implementer
Afghanistan University Support and Workforce Development Program (Cooperative Agreement)	AID-306-A-13-00009-00	Jan 1, 2018- Sept 30, 2019	n/a
Goldozi Project (Cooperative Agreement)	72030618CA000 06	Jan 1, 2018- Sept 30, 2019	n/a
Initiative for Hygiene, Sanitation, and Nutrition (Contract)	AID-306-C-16-00007	Jan 1, 2018- Sept 30, 2019	n/a

USAID/Afghanistan contracted with the independent certified public accounting firm Crowe LLP to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted auditing standards and generally accepted government auditing standards. The audit firm is responsible for the enclosed auditor's 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 awards, laws, and regulations.<sup>1</sup>

<sup>1</sup> 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

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statements 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 awards terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$56,494,645, for the period from January 1, 2018 to September 30, 2019.

The auditor expressed an unmodified opinion on the fund accountability statement. The auditor questioned total ineligible amount of \$14,463. The audit firm identified four material internal control weaknesses related to Family Health International's: (a) incomplete closeout reporting, and failure to closeout subawards; (b) untimely, uncertified, and improperly formatted reporting of government property; (c) inadequate support for indirect cost charges recorded to the fund accountability statement; and (d) failure to produce timely and complete award financial data. The audit firm identified five material instances of noncompliance of which it also considered three of them as material internal control weaknesses. Accordingly, the total number of findings identified and reported as material instances of non-compliance and material internal control weaknesses are six findings. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Afghanistan determine the allowability of the \$14,463 in questioned costs and recover any amount determined to be unallowable. Further, the audit firm issued a management letter.

During our desk review, we noted several 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 July 29, 2020. Please note that the notes to the fund accountability statement includes personally identifiable information.

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

**Recommendation I.** Verify that Family Health International corrects the four material weaknesses in internal control detailed on pages 23, 25-27 and 29 of the audit report.

**Recommendation II.** Verify that Family Health International corrects the two material instances of noncompliance detailed on pages 24 and 28 of the 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 the audit staff during the engagement.

The 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

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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.

Information Act Exemption Four, 5 U.S.C. 552(b)(4) (“commercial or financial information obtained from a person that is privileged or confidential”).