



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

DATE: March 15, 2022

TO: USAID/Afghanistan Mission Director, Peter Duffy

FROM: USAID OIG Asia Regional Office USDH NFA Coordinator, James C. Charlifue /s/

SUBJECT: Financial and Closeout Audits of ICF Macro, Inc. Under Multiple USAID Awards in Afghanistan, January 1, 2018 to December 31, 2020 (5-306-22-007-N)

This memorandum transmits the final audit report on costs incurred by ICF Macro, Inc. (ICF) under the following USAID awards in Afghanistan:

Award Name	Award Number	Audit Period
Demographic Health Survey (DHS-7)	306-AID-OAA-C-13-00095	January 1, 2018 – March 8, 2020 (closeout audit)
Afghanistan Demographic and Health Survey Follow-On (DHS-8)	306-7200AA18C00083	September 10, 2018 – December 31, 2020 (financial audit)

USAID/Afghanistan contracted with the independent certified public accounting firm Conrad LLP to conduct the audit. The audit firm stated that it performed the 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 ICF's Schedule of Expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the awards, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether ICF's Schedule of Expenditures of USAID Awards for the period audited was presented fairly, in all material respects; (2) evaluate ICF's internal controls; (3) determine whether ICF complied with the awards' terms and applicable laws and regulations; and (4) determine if ICF had taken adequate corrective actions on prior audit recommendations. To answer the audit objectives, the audit firm performed the subject audit that covered incurred costs of \$670,571 for the DHS-7 program from January 1, 2018 to March 8, 2020; and \$105,785 for DHS-8 program from September 10, 2018 to December 31, 2020.

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.

Conrad LLP concluded that the schedule of expenditures of USAID awards was presented fairly, in all material respects for costs incurred and reimbursed for the period audited. The audit firm reported unsupported questioned costs of \$12,322 in the DHS-7 program's fund accountability statement. 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 on the questioned costs and the related material instance of noncompliance. Nevertheless, we suggest that USAID/Afghanistan determine the allowability of the \$12,322 in questioned costs and recover any amount determined to be unallowable.

The audit firm did not identify any material weaknesses in internal control but identified three instances of significance deficiencies and three instances of noncompliance relating to inadequate support for (1) procurement, (2) personnel and other direct cost charges by a subcontractor, and (3) partner vetting. Although we are not making a recommendation for the three significant deficiencies noted in the report, we suggest that USAID/Afghanistan determine if the recipient addressed the issues noted. The audit firm did not report any prior period audit recommendations.

During our desk review, we noted issues that the audit firm will need to address in future audit reports. We presented these issues and suggestions in a memorandum to the controller dated March 15, 2022.

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

Recommendation I. Verify that ICF Macro, Inc. corrects the three instances of material noncompliance detailed on pages 28-37 of the audit report.

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").