



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

MEMORANDUM

DATE: March 23, 2022

TO: USAID/Afghanistan Mission Director, Peter Duffy

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

SUBJECT: Closeout Audit of the Provision of Humanitarian WASH Assistance to Afghan Returnees, IDPs and Vulnerable Local Communities in Afghanistan Managed by the International Medical Corps, Award 306-720FDA18CA00003, December 8, 2017, to September 7, 2019 (5-306-22-008-N)

This memorandum transmits the closeout audit report on the Provision of Humanitarian Water Sanitation and Hygiene Assistance to Afghan Returnees, Internally Displaced Persons and Vulnerable Local Communities in Nangarhar and Kunar Provinces Program in Afghanistan managed by the International Medical Corps (IMC). IMC contracted with the independent certified public accounting firm Conrad LLP to conduct the audit. The audit firm stated 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 IMC's schedule of expenditures of USAID awards;¹ the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether IMC's schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate IMC's internal controls; (3) determine whether IMC complied with agreement terms and applicable laws and regulations (including cost-sharing contributions requirements); (4) determine if corrective actions have been taken on prior audit recommendations; and (5) perform an audit of the indirect cost rate.

¹ Previously known as the Fund Accountability Statement, the Schedule of Expenditures of Federal Awards or Schedule of Expenditures of USAID awards is defined in 2 CFR 200.510(b).

² We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

To answer the audit objectives, the audit firm examined the schedule of expenditures of USAID awards and its supporting documents; evaluated IMC's internal control systems; and tested compliance with agreement terms and applicable laws and regulations. The audit firm reviewed the actions taken on prior audit recommendations. Regarding indirect costs, the audit firm's testing was limited to determining whether the correct rates approved in the Negotiated Indirect Cost Rate Agreement were used to calculate the indirect costs. The audit covered project revenues and costs of \$1,932,859 and \$1,915,731 respectively, from December 8, 2017, to September 7, 2019.

The audit firm concluded that, except for \$138,299 in ineligible questioned costs, the schedule of expenditures of USAID awards presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited. These questioned costs related to salaries for positions not included in the budget, salaries that exceeded the budget and the associated fringe benefits. The audit firm identified one significant deficiency and one material weakness in internal control, both were also reported as material instances of noncompliance. The material weakness related to deviations from the original budget without approval, and the significant deficiency related to procurement anti-fraud controls. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Afghanistan determine if IMC addressed the issue.

The audit firm concluded that IMC addressed prior audit recommendations. Finally, the audit firm indicated that the indirect costs were reported using final NICRA rates and that the fund balance due to the difference between final and provisional NICRA was returned to USAID.

There are several issues that the audit firm will need to address in future audit reports. We presented these issues in a memorandum to the mission controller dated March 23, 2022.

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

Recommendation 1. Determine the allowability of \$138,299 in questioned costs (ineligible) on pages 10 and 23 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that International Medical Corps corrects the material weakness in internal control detailed on pages 20-23 of the audit report.

We ask that you provide written notification of actions planned or taken to reach management decisions.

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").