



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

MEMORANDUM

DATE: June 27, 2022

TO: USAID/Afghanistan Mission Director, Peter Duffy

FROM: USAID OIG Deputy Assistant Inspector General for Audit, Christine M. Byrne /s/

SUBJECT: Financial and Closeout Audit of Costs Incurred of American University of Afghanistan, Support to the American University of Afghanistan Program, Cooperative Agreement AID-306-A-13-00004, June 1, 2020, to February 28, 2021 (5-306-22-012-N)

This memorandum transmits the final audit report on the schedule of costs incurred of American University of Afghanistan (AUAF), Support to the American University of Afghanistan program, from June 1, 2020, to February 28, 2021. USAID/Afghanistan contracted with the independent auditor Castro & Company, LLC to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. Government Auditing Standards (GAGAS). The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on AUAF'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 AUAF's schedule of expenditures of USAID awards for the audited period was presented fairly, in all material respects; (2) evaluate AUAF's internal controls; (3) determine whether AUAF complied with award terms and applicable laws and regulations (including cost-sharing/matching contributions); and (4) assess whether AUAF had taken adequate corrective action on prior-year audit recommendations. The audit covered revenues and costs of \$11,956,141 and \$11,908,932, respectively for the audited period.

The audit firm reported that it did not express an opinion on the schedule of costs incurred because it was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. The audit firm was unable to perform procedures to determine whether any material weakness or significant deficiencies in internal control exists and to determine if there were any instances of noncompliance. The audit firm also was unable to perform sufficient procedures to determine whether corrective actions were taken by AUAF related to prior year

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.

recommendations. The audit firm reported that they were not able to obtain sufficient evidence to perform the review over cost-sharing contribution requirement. The identified unsupported questioned costs of \$11,908,932 presented on pages 9 and 10 of the audit report are summarized in Table I.

Table I. Summary of Questioned Costs Included in the Schedule of Costs Incurred (in U.S. Dollars)

| Cost Incurred Items | Unsupported Costs |
|--------------------------|---------------------|
| 1 Direct Personnel | 2,568,167 |
| 2 Direct Fringe Benefits | 859,960 |
| 3 Security Management | 4,781,978 |
| 4 Other Direct Costs | 1,225,440 |
| 5 Indirect Costs | 1,095,284 |
| 6 Closeout Costs | 1,378,103 |
| TOTAL | \$11,908,932 |

To address the questioned costs identified in the report and discussed in this memorandum, we recommend that USAID/Afghanistan:

Recommendation I. Determine the allowability of \$11,908,932 (unsupported) in questioned costs as detailed in Table I on page 2 of this memorandum and recover any amount that is unallowable.

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

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").