



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** November 29, 2022

**TO:** USAID/Afghanistan Mission Director, Sean Callahan

**FROM:** USAID OIG Asia Regional Office USDH NFA Coordinator, Rhonda M. Horried /s/

**SUBJECT:** Closeout Audit of Challenge Tuberculosis Project in Afghanistan, Cooperative Agreement 306-AID-OAA-A-14-00029, Managed by KNCV Tuberculosis Foundation, October 1, 2018 through to March 31, 2020 (5-306-23-002-N)

This memorandum transmits the closeout audit of Challenge Tuberculosis Project in Afghanistan managed by KNCV Tuberculosis Foundation for the period from October 1, 2018, to March 31, 2020. USAID/Afghanistan contracted with the independent audit firm Crowe LLP to conduct the audit. The audit firm stated 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 the KNCV Tuberculosis Foundation's schedule of expenditures of USAID awards, the effectiveness of its internal control, or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the period audited was presented fairly, in all material respects; (2) evaluate KNCV Tuberculosis Foundation's internal controls; (3) determine whether KNCV Tuberculosis Foundation complied with award terms and applicable laws and regulations; and (4) determine and report on whether KNCV Tuberculosis Foundation had taken corrective action to address prior audit findings. The audit examined the project's costs of \$3,674,557 for the audited period.

The audit firm concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, revenues and costs incurred for the audited period. The audit firm identified one material weakness, one significant deficiency which was also reported as material noncompliance, and ineligible questioned costs of \$21,242. Additionally, the audit firm reported in its management letter to KNCV Tuberculosis Foundation an instance of noncompliance with award requirements for the disposal of capital assets. Which was not included in its report on

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<sup>1</sup> We reviewed the Audit General's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify items that need clarification or issues that require management attention. Desk reviews are limited to review of the audit report itself and exclude review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

compliance with the awards, laws, and regulations. Specifically, the audit firm disclosed that three of three sampled equipment items valued at \$52,500 did not have support for the transfer of custody confirming proper disposal. We consider this noncompliance to be material because the audit tests revealed a high frequency of noncompliance.<sup>2</sup> In addition, we consider the associated costs to be questioned costs because (a) the assets were not disposed of in compliance with award requirements<sup>3</sup>, and (b) the costs were greater than \$25,000.<sup>4</sup> The audit firm did not identify any prior year findings that could have had a direct material on the audit.

During our desk review, we noted issues that the audit firm should address in future audit reports. We presented these issues in a memorandum to the controller dated November 29, 2022.

To address the instances of material noncompliance and the instance of material weakness in internal control identified in the report, we recommend that USAID/Afghanistan:

**Recommendation 1.** Determine the allowability of \$73,742 in questioned costs (\$21,242 ineligible, \$52,500 unsupported) on page 17 of the audit report and pages 1-2 of the management letter and recover any unallowable amount.

**Recommendation 2.** Verify that KNCV Tuberculosis Foundation corrects the two instances of material noncompliance detailed in finding 2020-01 on page 17 of the audit report and pages 1-2 of the management letter.

**Recommendation 3.** Verify that KNCV Tuberculosis Foundation corrects the material weakness in internal control detailed in finding 2020-02 on page 18 of the audit report.

We ask that you provide your 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”).

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<sup>2</sup> AICPA AU-C Section 935.A31 states that in determining whether an entity has materially complied with the applicable compliance requirements, the auditor may consider (a) the frequency of noncompliance with the applicable compliance requirements, and (b) whether any identified noncompliance with the applicable compliance requirements resulted in likely questioned costs that are material to the government program.

<sup>3</sup> 2 CFR 200.84 defines questioned costs as a cost that is questioned by an auditor because of an audit finding: (a) which resulted from a violation or possible violation of the terms and conditions of a Federal award; or (b) where the costs, at the time of the audit, are not supported by adequate documentation.

<sup>4</sup> 2 CFR 200.516(a)(3) states that the auditor must report as an audit finding in the audit report known questioned costs that are greater than \$25,000.