



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** February 29, 2024

**TO:** USAID/Afghanistan Mission Director, Joel Sandefur

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

**SUBJECT:** Closeout Financial Audit of the Technical Capacity Building of the American University of Afghanistan Program Managed by the American University of Afghanistan, Agreement 72030621CA00001, for the period from February 1, 2021, to December 31, 2022 (5-306-24-024-R)

This memorandum transmits the final report on the closeout financial audit of the Technical Capacity Building of the American University of Afghanistan Program, managed by American University of Afghanistan (AUAF), Agreement 72030621CA00001, for the period from February 1, 2021, to December 31, 2022. AUAF contracted with the independent firm Rafaqat Babar & Co. Chartered Accountants to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards issued by the comptroller general of the United States. However, it did not have continuing professional education and external quality control review programs that satisfy GAGAS requirements because professional organizations in Afghanistan do not provide external quality control reviews. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the recipient'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 mainly 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 AUAF's internal controls; and (3) determine whether AUAF complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered total costs of \$16,507,730 for the period from February 1, 2021, to December 31, 2022.

The audit firm concluded that the schedule of expenditures of USAID awards presented fairly, in all material respects, program revenues, costs incurred and reimbursed, commodities and

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<sup>1</sup> We reviewed the audit firm'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 work papers; desk reviews are not designed to enable us to directly evaluate the quality of the audit performed.

technical assistance directly procured by USAID for the period audited except for questioned unsupported costs in the amount of \$7,260,631. The audit firm also identified \$3,861,858 in unsupported cost share contributions. The audit firm did not identify any material internal control weaknesses but identified two significant deficiencies in internal control and two material instances of noncompliance. However, since USAID is no longer funding AUAF, we are not making the procedural recommendation for the two material instances of noncompliance. Further, the audit firm issued a management letter.

During our desk review, we noted areas for improvement in the audit report and informed the regional controller in a memo dated February 29, 2024. Please ensure the audit firm addresses these deficiencies in future audit reports.

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

**Recommendation I.** Determine the allowability of \$11,122,489 (\$7,260,631 in unsupported questioned costs and \$3,861,858 in unsupported cost share contributions) on pages 29 and 40 of the audit report and recover any amount that is unallowable.

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”). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).