

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR Financial Audit 14-11

Department of State's Demining Activities in Afghanistan:
Audit of Costs Incurred by Afghan Technical Consultants



DECEMBER
2013



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

December 3, 2013

The Honorable John F. Kerry
Secretary of State

The Honorable James B. Cunningham
U.S. Ambassador to Afghanistan

This letter transmits the results of our audit of costs incurred by Afghan Technical Consultants (ATC) for five Department of State (State) grants to execute demining activities in various regions in Afghanistan.¹ The audit covered the period April 1, 2007, through August 31, 2012, and was performed by Crowe Horwath. It covered \$13,422,356 in expenditures.

ATC's program called for conducting operations with specially trained mine detection dogs from 2007 to 2012. ATC reported that the program cleared over 2 million square meters of land by locating and destroying anti-personnel mines, unexploded ordnance, fragments, and anti-tank mines. ATC trained human demining teams as well as dogs and employed more than 30 individuals.

The objectives of this financial audit were to

- render an opinion on the fair presentation of ATC's Fund Accountability Statement;²
- determine and report on whether ATC has taken corrective action on recommendations from prior audits or assessments;
- identify and report on significant deficiencies, including any material weaknesses, in ATC's internal control over financial reporting; and
- identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.

In contracting with an independent audit firm and drawing from the results of their audit, SIGAR is required by auditing standards to provide oversight of the audit work performed. Accordingly, SIGAR reviewed Crowe Horwath's audit results and found them to be in accordance with generally accepted government auditing standards.

Crowe Horwath found that the Fund Accountability Statement presented fairly, in all material respects, revenues received and costs incurred under the grants and identified no findings from prior audits or assessments for follow-up or corrective action. Crowe Horwath identified six internal control weaknesses and five instances of material noncompliance with either the terms of the grants or applicable regulations. Where internal control and compliance findings pertained to the same matter, they were consolidated within a single

¹ State grants S-PMWRA-07-006 (\$1,200,000); S-PMWRA-08-GR-002 (\$2,000,000); S-PMWRA-09-GR-015 (\$2,850,000); S-PMWRA-10-GR-002 (\$4,000,000); and S-PMWRA-11-GR-010 (\$4,000,000) funded the demining activities.

² The Fund Accountability Statement is a special purpose financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

finding. These findings prompted the auditors to question a total of \$202,854 in unsupported costs.³ The audit did not identify any ineligible costs.⁴ See table 1 below.

Table 1 - Summary of Questioned Costs

Category	Questioned Costs Total	Ineligible	Unsupported
Personnel	\$38,956		\$38,956
Travel	\$23,838		\$23,838
Equipment/Supplies	\$26,634		\$26,634
Non-Expendable Equipment	\$113,426		\$113,426
Totals	\$202,854	\$0	\$202,854

In addition, Crowe Horwath identified two instances in which costs were not questioned, but where interest may be payable to the U.S. government. Specifically, the audit found that ATC had not remitted an estimated \$8,762 in interest revenue earned on advances given by State.

Given the results of the audit, SIGAR recommends that the Grants Officer:

1. Determine the allowability of and recover, as appropriate, \$202,854 in questioned costs identified in the report.
2. Recover, as appropriate, the estimated \$8,762 in interest revenue earned from advances provided.
3. Advise ATC to address the six internal control findings identified in the report.
4. Advise ATC to address the five compliance findings identified in the report.

We will be following up with the Department of State to obtain information on the corrective actions taken in response to our recommendations.



John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-022)

³ Unsupported costs are those costs for which adequate or sufficient documentation necessary for the auditor to determine the propriety of costs was not made available.

⁴ Ineligible costs are costs that the auditor has determined to be unallowable. These costs are recommended for exclusion from the Fund Accountability Statement and review by State to make a final determination regarding allowability.



Afghanistan Technical Consultants
Fund Accountability Statement
Demining Projects for Various Regions of Afghanistan
For the Period April 1, 2007, through August 31, 2012
(With Independent Auditor's Report Thereon)

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Transmittal Letter

November 21, 2013

To the Board of Directors and Management of the Afghan Technical Consultants
P.O. Box #3, Main Post Office
Kabul, Afghanistan

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of the Afghan Technical Consultants' ("ATC") grants awarded by the United States Department of State. The grants – S-PMWRA-07-006, S-PMWRA-08-GR-002, S-PMWRA-09-GR-015, S-PMWRA-10-GR-002, and S-PMWRA-11-GR-010 – funded the demining activities in various regions of Afghanistan during the period April 1, 2007, through August 31, 2012.

Within the pages that follow, we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Fund Accountability Statement, report on internal control, and report on compliance. Accordingly, we do not express an opinion on the summary and any information preceding our reports.

When preparing our audit reports, we considered comments, feedback, and interpretations of ATC provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses have also been incorporated into the report. These responses, and supporting documentation provided with management's responses, were reviewed to determine if modifications to the initial draft of the audit reports were needed. Any such changes have been made and are reflected within this reporting package.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of ATC's demining projects in various regions of Afghanistan.

Sincerely,

A handwritten signature in black ink, appearing to read "Bert Nuehring".

Bert Nuehring, CPA, Partner
Crowe Horwath LLP



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Summary

Background

The Afghan Technical Consultants (“ATC”) entered into five grant agreements with the United States Department of State (“DoS”) to purchase equipment, supplies, and dogs needed to execute demining activities in various regions of Afghanistan and to complete such demining activities. During the period April 1, 2007, through August 31, 2012, ATC operated under the following grants (total amount awarded appears in parentheses):

- S-PMWRA-07-006 (\$1,200,000);
- S-PMWRA-08-GR-002 (\$2,000,000);
- S-PMWRA-09-GR-015 (\$2,850,000);
- S-PMWRA-10-GR-002 (\$4,000,000); and
- S-PMWRA-11-GR-010 (\$4,000,000).

In total, \$14,050,000 was awarded to ATC. \$13,422,356 was expended on grant-related activities (excluding any amounts returned to the United States Treasury).

ATC worked with the DoS to initiate a mine detection dog (MDD) operation beginning in 2007 and continuing throughout the period. As reported in ATC’s progress reports over the course of the five years, program accomplishments (unaudited by Crowe) included, but were not limited to:

- Clearing over 2 million square meters of impacted minefields using DoS-funded teams;
- Training and utilization of both human demining teams and mine dog sets;
- Locating and destroying anti-personnel mines, unexploded ordnance, fragments, and anti-tank mines; and
- Employing more than 30 individuals.

Work under each grant has concluded and each grant is closed.

Work Performed

Crowe Horwath LLP (“Crowe”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of the five grants awarded to ATC for the conduct of demining activities in various regions of Afghanistan.

Objectives Defined by SIGAR

The following audit objectives were defined within the Performance Work Statement for Financial Audits of Costs Incurred by Organizations Task ordered by the U.S. Government for Reconstruction Activities in Afghanistan:

Audit Objective 1 – Internal Controls

Evaluate and obtain a sufficient understanding of the audited entity’s internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 2 – Compliance

Perform tests to determine whether the audited entity complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Audit Objective 3 – Corrective Action on Prior Findings and Recommendations

Determine and report on whether the audited entity has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the fund accountability statement.

Audit Objective 4 – Fund Accountability Statement

Express an opinion on whether the Fund Accountability Statement for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government and fund balance for the period audited in conformity with the terms of the award and accounting principles generally accepted in the United States of America or other comprehensive basis of accounting.

Scope

The scope of the audit included the periods from April 1, 2007, through August 31, 2012, for the five grants. The audit was limited to those matters and procedures pertinent to the grants that have a direct and material effect on the Fund Accountability Statement ("FAS") and evaluation of the presentation, content, and underlying records of the FAS. The audit included reviewing the financial records that support the FAS to determine if there were material misstatements and if the FAS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Costs;
- Allowable Activities;
- Cash Management;
- Equipment and Property Management;
- Period of Availability of Federal Funds;
- Procurement; and
- Reporting.

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the Fund Accountability Statement, tested compliance and considered the auditee's internal controls over compliance and financial reporting, and determined if adequate corrective action was taken in response to prior audit findings and review comments.

For purposes of meeting Audit Objective 1 regarding internal control, Crowe requested and the auditee provided copies of policies and procedures and verbally communicated those procedures that do not exist in written format to provide Crowe with an understanding of the system of internal control established by ATC. The system of internal control is intended to provide reasonable assurance of achieving reliable financial and performance reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 2 requires that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the grants. Crowe identified – through review and evaluation of the grant agreements executed by and between ATC and DoS, the Code of Federal Regulations, and relevant circulars issued by the United States Office of Management and Budget (“OMB”) – the criteria against which to test the FAS and supporting financial records and documentation. Using sampling techniques, Crowe selected expenditures, drawdowns of cash completed through the Payment Management System, procurements, inventories, assets that were disposed of, and quarterly financial and progress reports for audit. Supporting documentation was provided by the auditee and subsequently evaluated to assess ATC's compliance. Testing of indirect costs was limited to determining whether indirect costs were appropriately classified as such, were accurately calculated and charged to the grant, and were treated consistently throughout the periods of performance.

To obtain an understanding of the nature of audit reports and other assessments that were completed and the required corrective action, Crowe inquired with ATC regarding prior audits and reviews. There were three such items completed. See **Section 2** of Crowe's audit report for details regarding the audit reports issued by independent public accountants engaged to audit three of the grants, including matters pertaining to the scope of the audits. The matters noted by the auditors are not repeated within Crowe's report.

With regard to Audit Objective 4 pertaining to the FAS, transactions were selected from the financial records underlying the FAS and the transactions were tested to determine if the transactions were recorded in accordance with the basis of accounting identified by the auditee; were incurred within the period covered by the FAS and in alignment with specified cutoff dates; were charged to the appropriate budgetary accounts; and were adequately supported.

Due to the location and nature of the grant-funded work, the financial records, vendors, and employees being primarily located in Afghanistan, and ATC's being physically located in the cooperating country, certain audit procedures were performed on-site in Afghanistan, as necessary.

Summary of Results

Upon completion of Crowe's procedures, Crowe identified seven findings because they met one or more of the following criteria: (1) significant deficiencies in internal control, (2) material weaknesses in internal control, and/or (3) noncompliance with rules, laws, regulations, or the terms and conditions of the grants. Other matters that did not meet the criteria were either reported within a management letter dated November 21, 2013, or were communicated verbally to ATC.

Crowe also reported on both ATC'S compliance with the applicable laws, rules, regulations, and the terms and conditions of the grants and the internal controls over compliance. Two material weaknesses in internal control, four significant deficiencies in internal control, and five instances of material noncompliance were reported. Where internal control and compliance findings pertained to the same matter, they were consolidated within a single finding. A total of \$202,854 in costs was questioned as described in **Table A**. Finding 2013-06 presents a finding regarding unallowable audit costs that were charged to the grant through an indirect cost allocation. Due to the costs having been charged through an indirect cost function, Crowe could not – within the scope prescribed by SIGAR - determine the questioned cost amount.

Crowe identified two instances in which costs were not questioned, but where interest may be payable to the U.S. Government. Finding 2013-04 includes \$2,205 in interest that ATC reported as having earned on cash advances - \$1,455 of which is payable to the U.S. Government in accordance with Federal regulations. Finding 2013-05 presents an estimated \$7,307 in interest that is payable to the U.S. Government based on ATC's drawing down funds in excess of the amounts needed to fund immediate cash disbursements. This amount is not presented as a questioned cost as the amount reflects foregone interest that would have been received or earned by the Government and does not have an impact on the costs incurred.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to ATC's financial performance under the grants. Three such audit reports were provided. The audits did not include any findings; however, the presence of depreciation expenses on non-expendable equipment was emphasized by the auditors. ATC subsequently returned the funds associated with these charges to the Government. No further matters for follow-up were identified.

Crowe issued an unqualified opinion on the Fund Accountability Statement.

TABLE A: Summary of Findings and Questioned Costs

Finding Number	Matter	Questioned Costs	Cumulative Questioned Costs
2013-01	Prior Approval of International Travel	\$23,838	\$23,838
2013-02	Stolen and Destroyed Property	\$140,060	\$163,898
2013-03	Employee Time Records	\$38,956	\$202,854
2013-04	Cash Management: Payments on the Advance Basis	\$0	\$202,854
2013-05	Cash Management: Excess Cash Balances	\$0	\$202,854
2013-06	OMB Circular A-133 Audit Reports	Indeterminable	\$202,854
2013-07	Reporting	\$0	\$202,854
Total Questioned Costs			\$202,854

Summary of Management Comments

Management's comments have been incorporated as Appendix C to this report, and appear as provided by ATC. Management did not agree with findings 2013-01, 2013-02, 2013-03, and 2013-08, and provided (1) additional documentation to support their position and (2) narrative explanations regarding their interpretations of the applicable Federal regulations and grant terms and conditions. Management concurred with the facts reflected in the remaining findings; however, ATC did provide additional context pertaining to the limitations encountered due to the nature of the work, the procedures employed on the project based on the recipient's standard operating procedures, and provided additional supporting documentation for review by the Department of State.

References to Appendices

The auditor's reports are supplemented by three appendices. **Appendix A** presents a listing of equipment and property items that were stolen or destroyed in an office fire as referenced in Finding 2013-02. The items shown in the appendix were provided by the auditee; Crowe Horwath does not take responsibility for the contents of **Appendix A**. **Appendix B** includes a schedule presenting the calculation of imputed interest resulting from excess cash balances as referenced in Finding 2013-05. **Appendix C** includes the Views of Responsible Officials, which are management's responses to the findings presented within the report. Lastly, **Appendix D** includes the auditor's rebuttal, which was drafted in response to management's comments.

INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT

To the Board of Directors and Management of the Afghan Technical Consultants
P.O. Box #3, Main Post Office
Kabul, Afghanistan

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

Report on the Fund Accountability Statement

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fund accountability statement (Statement) of the Afghan Technical Consultants ("ATC") and related notes to the Statement, with respect to the demining projects conducted in various regions of Afghanistan as funded by the United States Department of State under grants S-PMWRA-07-006, S-PMWRA-08-GR-002, S-PMWRA-09-GR-015, S-PMWRA-10-GR-002, and S-PMWRA-11-GR-010 for the period April 1, 2007, through August 31, 2012, and have issued our report thereon dated November 21, 2013.

Management's Responsibility for the Fund Accountability Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") in Appendix V of Solicitation ID05130041 ("the Contract"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, program revenues and costs incurred for the indicated period in accordance with the requirements established by the Office of the Special Inspector General for Afghanistan Reconstruction in Appendix V of the Contract and on the basis of accounting described in Note 2.

Basis of Accounting

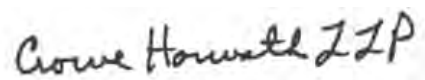
We draw attention to Note 2 to the Statement, which describes the basis of accounting. The schedule was prepared by ATC on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of the ATC, the United States Department of State, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated November 21, 2013, on our consideration of ATC's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, grants, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Crowe Horwath LLP

November 21, 2013
Washington, D.C.

FUND ACCOUNTABILITY STATEMENT

Afghan Technical Consultants

Grant Numbers S-PMWRA-07-006; S-PMWRA-08-GR-002; S-PMWRA-09-GR-015; S-PMWRA-10-GR-002; and S-PMWRA-11-GR-010

For the Period April 1, 2007, through August 31, 2012

	S-PMWRA-07-006		S-PMWRA-08-GR-002		S-PMWRA-09-GR-015		S-PMWRA-10-GR-002		S-PMWRA-11-GR-010		Totals		Questioned Costs		
-	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Ineligible	Unsupported	Notes
Revenues	\$1,200,000	\$1,200,000	\$2,000,000	\$2,001,356	\$2,850,000	\$2,760,000	\$4,000,000	\$3,753,000	\$4,000,000	\$3,708,000	\$14,050,000	\$13,422,356	\$ -	\$ -	A
Costs Incurred															
Personnel	\$ 178,478	\$ 154,265	\$ 328,740	\$ 307,986	\$ 675,282	\$ 631,324	\$ 901,317	\$ 900,596	\$ 955,911	\$ 961,300	\$ 3,039,729	\$ 2,955,471	\$0	\$38,956	B
Fringe Benefits	68,555	53,449	124,302	110,574	278,692	228,407	339,039	323,321	342,745	341,205	1,153,333	1,056,957	\$0	\$0	
Travel	84,855	67,344	134,010	143,951	262,965	275,570	371,935	379,811	409,193	409,644	1,262,958	1,276,321	\$0	\$23,838	C
Training	21,492	21,862	40,560	34,496	79,840	97,851	119,400	117,297	56,400	62,583	317,692	334,090	\$0	-	
Equipment / Supplies	29,202	29,658	70,274	79,343	207,773	234,187	404,228	394,040	378,107	374,063	1,089,584	1,111,289	\$0	\$26,634	D
Non-Expendable Equipment	533,167	535,275	641,661	683,062	471,755	450,166	468,869	484,608	356,860	381,143	2,472,312	2,534,254	\$0	\$113,426	D
Contractual	9,840	10,415	-	-	77,200	74,116	103,836	104,408	130,236	128,927	321,112	317,867	\$0	\$0	
Premises			36,240	37,419	-	-	-	-	-	-	36,240	37,419	\$0	\$0	
Operating and Other Expenses	147,424	113,993	412,912	343,929	496,680	488,694	999,133	738,313	1,067,904	755,342	3,124,053	2,440,271	\$0	\$0	
Indirect Cost	126,987	213,738	211,301	260,596	299,813	279,685	292,243	310,607	302,643	293,794	1,232,987	1,358,420	\$0	\$0	
Total Costs Incurred	\$1,200,000	\$1,200,000	\$2,000,000	\$2,001,356	\$2,850,000	\$2,760,000	\$4,000,000	\$3,753,000	\$4,000,000	\$3,708,000	\$14,050,000	\$13,422,356	\$0	\$202,854	
Fund Balance	\$ -	\$ -	\$ -	\$ -	(\$0)	\$0	(\$0)	(\$0)	\$0	(\$0)	\$0	\$0			

The accompanying notes to the Fund Accountability Statement are an integral part of this Statement.

Afghan Technical Consultants
Notes to the Fund Accountability Statement
For the Period April 1, 2007, through August 31, 2012

Note 1. Basis of Presentation

The accompanying Fund Accountability Statement (the "Statement") includes costs incurred under grant numbers S-PMWRA-07-006; S-PMWRA-08-GR-002; S-PMWRA-09-GR-015; S-PMWRA-10-GR-002; and S-PMWRA-11-GR-010 for demining activities conducted in Afghanistan during the period April 1, 2007, through March 31, 2012. Because the Statement presents only a selected portion of the operations of the Afghan Technical Consultants ("ATC"), it is not intended to and does not present the financial position, changes in net assets, or cash flows of ATC. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal grants. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements issued for ATC.

Note 2. Basis of Accounting

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3. Foreign Currency Conversion Method

During the course of each project, ATC converts local currency amounts from Afghanis to United States Dollars using an average exchange rate. The source of the exchange rates used in the conversions was the exchange rate employed by the bank at the time of the exchange.

Note 4. Revenues

Revenues on the Statement represent the amount of funds received from the U.S. Department of State through drawdowns made through the Payment Management System.

Note 5. Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved grant agreements and modifications, as applicable.

Note 6. Expendable and Non-Expendable Equipment

For purposes of the FAS, there are two line items referencing Equipment. "Non-Expendable Equipment" is defined as goods or equipment with a cost of \$500 or greater and having a useful life of one year or more. "Expendable Equipment and Materials" is defined as goods or equipment with a cost of less than \$500 and having a useful life of less than one year.

(Continued)

Note 7. Fund Balance

The fund balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that cash was received from the U.S. Government that exceeds the actual costs incurred or charged to the grants and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation prior to accompanying payments being received from the U.S. Government.

Note 8. Currency

All amounts presented are shown in U.S. dollars.

Note 9. Interest Payments

\$1,356 in interest was earned in the bank account containing the Federal cash receipts. The interest income was used for programmatic purposes to fund additional project work on grant S-PMWRA-08-GR-002. Due to the interest amount being directly associated with allowable project costs incurred, the interest is presented on the Fund Accountability Statement.

Note 10. Periods of Performance

Pursuant to Federal regulations, allowable costs are limited to those obligations incurred during the period of performance of a grant. The periods of performance for each grant began on the first day of each fiscal year (April 1) and concluded on the last day of each fiscal year (March 31) with the exception of Award No. S-PMWRA-11-GR-010, which was extended through August 31, 2012.

Note 10. Funds Returned / Re-Obligated

During the course of the projects, ATC returned certain funds to the U.S. Government. These amounts are excluded from the costs incurred as reported on the FAS due to rejection of depreciation expenses of non-current assets for the respective year 2009, 2010 and 2011. The sum of \$629,000 was returned to the U.S. Department of State.

Note 11. Status of the Projects

Each project funded by the grants referenced in the FAS is implemented and closed. No additional charges are anticipated.

Note 12. Questioned Costs

Questioned costs are those costs that are questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds; (2) where, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances. Questioned costs are presented in the Statement in two categories: unsupported and ineligible costs. Unsupported costs are those costs for which adequate or sufficient documentation necessary for the auditor to determine the allowability and accuracy of costs was not made available. Ineligible costs are those costs that the auditor has determined to be unallowable or inaccurate and recommended for exclusion from the Statement and for a final determination by the DoS Grants Officer.

Note 13. Subsequent Events

ATC Management has performed an analysis of the activities and transactions subsequent to the April 1, 2007, through August 31, 2012, period of performance. Management has performed their analysis through November 21, 2013.

Notes to the Questioned Costs Presented on the Fund Accountability Statement¹

Note A. Questioned Costs – Depreciation Charges Pertaining to Non-Expendable Property

Prior audits of ATC's grants provided by the Department of State noted that charges to the grant were made for depreciation expenses. These amounts were unallowable and were subsequently returned to the Government by ATC. The FAS only includes those costs that ATC believes are allowable and therefore chargeable to the grants. Thus, the amounts that were unallowable for depreciation have been removed from the revenue line and the costs are not reflected in the expenditure amounts. Budget to actual differences are a function of this adjustment.

Note B. Allowable Costs: Employee Time Records

Finding 2013-03 questions \$38,956 in personnel costs due to the lack of daily time records to support the allocation of payroll costs.

Note C. Allowable Costs: International Travel Approvals

Finding 2013-01 questions \$23,838 in travel costs incurred for international trips that were not pre-approved by the Grants Officer.

Note D. Equipment and Property Management: Stolen and Destroyed Property

Finding 2013-02 questions \$140,060 - the value of equipment and supplies that were stolen or destroyed and, therefore, are no longer being used for the Federal project purposes.

¹ Notes to the Questioned Costs Presented on the Fund Accountability Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Statement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management of the Afghan Technical Consultants
P.O. Box #3, Main Post Office
Kabul, Afghanistan

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fund accountability statement and related notes of the Afghan Technical Consultants ("ATC") with respect to the demining projects conducted in various regions of Afghanistan as funded by the United States Department of State under grants S-PMWRA-07-006, S-PMWRA-08-GR-002, S-PMWRA-09-GR-015, S-PMWRA-10-GR-002, and S-PMWRA-11-GR-010 for the period April 1, 2007, through August 31, 2012, and have issued our report thereon dated November 21, 2013.

Internal Control over Financial Reporting

ATC's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the grants; and transactions are recorded properly to permit the preparation of the Fund Accountability Statement in conformity with the basis of accounting described in Note 2 to the Fund Accountability Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Fund Accountability Statement for the period April 1, 2007, through August 31, 2012, we considered ATC's internal controls to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Fund Accountability Statement, but not for the purpose of expressing an opinion on the effectiveness of ATC's internal control. Accordingly, we do not express an opinion on the effectiveness of ATC's internal control.

(Continued)

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies noted in Findings 2013-03, and 2013-05 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies noted in Findings 2013-02, 2013-04, 2013-06, and 2013-07 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

We noted certain matters that we reported to ATC's management in a separate letter dated November 21, 2013.

ATC's Response to Findings

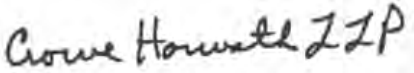
ATC's responses to the findings identified in our audit are attached as Appendix C to this report. We did not audit ATC's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of the Afghan Technical Consultants, the United States Department of State, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.


Crowe Horwath LLP

November 21, 2013
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors and Management of the Afghan Technical Consultants
P.O. Box #3, Main Post Office
Kabul, Afghanistan

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fund accountability statement and related notes of the Afghan Technical Consultants ("ATC") with respect to the demining projects conducted in various regions of Afghanistan as funded by the United States Department of State under grants S-PMWRA-07-006, S-PMWRA-08-GR-002, S-PMWRA-09-GR-015, S-PMWRA-10-GR-002, and S-PMWRA-11-GR-010 for the period April 1, 2007, through August 31, 2012, and have issued our report thereon dated November 21, 2013.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the grant agreements are the responsibility of the management of the Afghan Technical Consultants.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Findings 2013-01, 2013-02, 2013-03, 2013-06, and 2013-07 in the accompanying Schedule of Findings and Questioned Costs.

We noted certain matters that we reported to ATC's management in a separate letter dated November 21, 2013.

ATC's Response to Findings

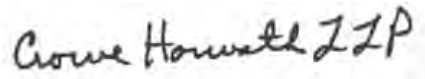
ATC's responses to the findings identified in our audit are attached as Appendix C to this report. We did not audit ATC's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of the ATC, the United States Department of State, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

A handwritten signature in dark ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

November 21, 2013
Washington, D.C.

SECTION I - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Finding 2013-01: Allowable Costs: International Travel Approvals

Non-Compliance

Criteria: Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency, per Attachment B, Item 51 of OMB Circular A-122.

Condition: During the review of costs charged to the grants, four foreign travel transactions were identified. None of the four trips were pre-approved by the Grants Officer.

Sample Item #	Voucher Number	Date	Description of Charge / Particular	Amount (USD)
131	BPV-133	18-Mar-09	Travel to Non-duty station-Dubai and back to Kabul after 15-day stay.	\$6,165
132	BPV-134	18-Mar-09	Travel to Dubai and Back to Kabul for the purchase of vehicle for projects.	\$4,932
130	BPV-131	31-Dec-11	Travel to Non-duty station-Dubai and Back to Kabul after 16 Night stay.	\$6,576
154	BPV-125	23-Mar-10	15 night stay for visit to Dubai and back to Kabul.	\$6,165
TOTAL:				\$23,838

Questioned costs: \$23,838

Effect: The Government funded international travel that may or may not have been considered reasonable and necessary by the Grants Officer.

Cause: ATC was unaware of the requirement that international travel be pre-approved by the awarding agency. Historically, ATC had relied upon the approvals of the Director and/or Deputy Director for international travel as per ATC's standard operating procedures. ATC also considered the budgetary approval to be inclusive of all necessary travel expenses.

Recommendation: We recommend that ATC 1) refund the Government \$23,838 in costs associated with the foreign travel trips or otherwise provide evidence of the international travel having been pre-approved; and 2) modify its standard operating procedures to require prior approval from the Grants Officer when international travel is expected to be charged to Federal awards.

(Continued)

Finding 2013-02: Equipment and Property Management: Stolen and Destroyed Property

Significant Deficiency and Non-Compliance

Criteria: ATC is responsible for implementing a control system "to insure adequate safeguards to prevent loss, damage, or theft of the equipment," as per 22 CFR Part 145.34(f)(4).

Condition: ATC reported that a series of goods were either destroyed as a result of fire or were stolen. The thefts occurred between 2011- 2013. Thus, the items could not continue being used for Federal purposes. The losses were reported to the National Police and to the Department of State.

The following table presents a summary of the losses:

Cause of Loss	Location	Quantity of Items	Value (USD)
Burned in Fire	Gardiz District	65	\$25,821
Burned in Fire	Unclear	24	\$5,693
Theft	Paktiya Province	10	\$626
Theft	Kabul Province	15	\$24,415
Theft	Kundoz Province	2	\$607
Theft	Kundoz Province	38	\$27,218
Theft	Kundoz Province	2	\$694
Theft	Paktiya	27	\$27,956
Theft	Kabul Province	2	\$27,030
Total			\$140,060

See **Appendix A** for a listing of stolen and burned equipment, property, and supplies as provided by the auditee.

Questioned costs: \$140,060

Effect: ATC incurred additional costs to implement the Federally-funded projects thus requiring the Government to invest greater funds than may have otherwise been necessary.

Cause: Per ATC, the fire resulted from a flame in the kitchen being expanded during a windy storm. The thefts resulted from thieves breaking into vehicles and into offices.

Recommendation: We recommend that ATC provide to the DoS an explanation of the events causing the fire and thefts and, if instructed by the State Department, remit payment for the destroyed and lost items. ATC should also consider using security guards to oversee grant-funded assets and ATC's offices during non-working hours or times during which thefts have been noted as being more frequent.

(Continued)

Finding 2013-03: Allowable Costs: Employee Time Records

Material Weakness and Non-Compliance

Criteria: Charges to awards for salaries and wages, per OMB Circular A-122, Attachment B, Section 8(m), must be based on documented payrolls approved by a responsible official of the organization, and must be supported by reports that meet the following standards:

- Reflect an after-the-fact distribution of the actual activity of each employee;
- Account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization;
- Signed by the individual employee or by a supervisor with first-hand knowledge of the activities performed by the employee;
- Be prepared at least monthly and coincide with one or more pay periods; and
- For nonprofessional employees, in addition to the above, must be supported by records indicating the total number of hours worked each day.

In accordance with 22 CFR Part 145.53, financial records, supporting documents, statistical records, and all other records pertinent to an award are required to be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Department of State.

Condition: Timesheets were unavailable to support eleven personnel cost transactions totaling \$38,956. The employees included within the transactions included those in driver, guard, medic, and other nonprofessional employee positions.

ATC was able to produce salary sheets that specify the total days in the pay period, number of days worked, and number of days not worked. The sheets are prepared by the administration based on timesheets, checked by a senior manager, signed by employees, and approved by the ATC Director. The salary sheets did not, however, address the specific hours worked by nonprofessional employees. In the absence of supporting timesheets, the salary reports and corresponding charges allocated to the grant could not be tested. In addition, ATC did not retain the time sheets for the records retention period required by Federal regulations; the records are needed to support financial charges to the awards.

Questioned costs: \$38,956

Effect: Payroll costs charged to the grants may have been erroneously charged or misallocated. In the absence of original time data, the full effect could not be determined.

Cause: ATC stated that the time sheets are not attached to the salary sheets and vouchers, but rather are kept in site offices and at each work site as record of each team's attendance.

Recommendation: We recommend that ATC either locate and provide to the DoS the eleven employees' supporting timesheets or return the \$38,956 received from the U.S. Government as payment for the employees' time worked. We further recommend that ATC retain copies of the supporting time sheets with associated salary reports to reduce the likelihood that the records are lost, destroyed, or otherwise unavailable for audit.

(Continued)

Finding 2013-04: Cash Management: Requirements for Payment on the Advance Basis

Significant Deficiency

Criteria: Pursuant to 22 CFR Part 145.22(b), "Recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain: written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient...". Further, in accordance with 22 CFR Part 145.22(l), "...interest earned on Federal advances deposited in interest bearing accounts shall be remitted annually to the Department [of State] for submission to the [United States Department of the] Treasury. Interest amounts up to \$250 per year may be retained by the recipient for administrative expense."

Condition: ATC obtained payment from the U.S. Department of State on an advance payment basis. However, ATC did not have a written policy or procedure explaining the steps that are taken to minimize the time between receipt of funds from the Government and disbursement of cash for program activities. In addition, ATC deposited the funds received from the Government into an interest bearing account. In three of the five years under audit, ATC earned interest in excess of \$250, but did not remit the excess amount to the Government. The amount that should have been paid to the Government - net of \$250 per year that the recipient is eligible to retain - is \$1,455.

ATC Fiscal Year	Interest Earned	Amount to Remit
2008-2009	\$1,356	\$1,106
2010-2011	\$271	\$21
2011-2012	\$578	\$328
TOTAL:	\$2,205	\$1,455

Fiscal years 2007-2008 and 2009-2010 interest was not earned in excess of the \$250 threshold and these years are therefore not included in the table above.

Questioned costs: None. However, \$1,455 in interest was determined to be payable to the Government.

Effect: The Government was denied interest revenue that could have been dedicated to additional services and projects.

Cause: ATC was unaware of the specific requirements applicable to the advance payments, including interest payment matters. ATC also did not know the account into which interest should be transferred so a payment was not possible.

Recommendation: We recommend that ATC develop a policy and document the procedure that provides for the prompt disbursement of funds received from the U.S. Government. We further recommend that ATC remit the \$1,455 in interest income to the U.S. Government.

Finding 2013-05: Cash Management: Drawdowns Exceeded Immediate Cash Needs

Material Weakness

Criteria: Per 22 CFR Part 145.22(b), "Cash advances to a recipient shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs."

Condition: For each grant, ATC obtained initial working capital cash balances to cover operating expenses. Subsequent to the initial advances, funds are received based on a pre-determined allotment pattern established within the SF 424 project budget documents. Over the course of the sixty-five months included in the periods of performance, ATC obtained cash advances in excess of what was needed for immediate cash needs during twenty-eight months. Excess cash was defined, for purposes of the audit, as the cumulative amount of funds drawn down that exceeded the sum of the project's cumulative expenditures as of month-end and the expenditures for the subsequent month. The amount of excess cash ranged from \$4,969 to \$760,140.

Utilizing the daily interest rates identified by the United States Department of the Treasury for cash management purposes, the amount of interest that would have been earned by ATC for drawdowns tied to expenditures through August 2012 (the conclusion of the sixty-five month period assessed) is \$7,807. ATC is permitted to keep \$250 in interest per year per Federal regulations, which reduces the anticipated interest payable to \$7,307 for the fiscal years 2008 through 2012.

ATC's Director conducted periodic reviews of the projects' cash positions and was responsible for reviewing and approving cash drawdown requests submitted through the Payment Management System. Documentation of the reviews and approvals was not provided, however. The reviews did not appear to detect and resolve the excess cash issues.

See **Appendix B** for a schedule calculating the imputed interest amount.

Questioned costs: None. However, \$7,307 in imputed interest was calculated as an estimate of interest lost by the Government due to excess cash being held by the recipient.

Effect: The DoS had fewer program dollars available for programmatic purposes at the time of ATC's draws due to the excess cash held by ATC.

Cause: ATC received initial working capital advances and subsequent allotments based on a pre-determined amount of budgeted cash needs. The initial budgeted amounts did not align with actual cash needs, thus causing the excess cash matter to be unresolved. ATC was unaware that the funds received must be tied to actual costs, thus the cash position reviews did not resolve the cash balance issues.

Recommendation: We recommend that ATC 1) remit payment to the U.S. Government for interest lost as a result of the excess cash or otherwise demonstrate why interest is not owed; and 2) complete documented reconciliations and detailed analyses of cash position and actual anticipated disbursements on a monthly basis and return unneeded cash to the U.S. Government promptly.

Finding 2013-06: Reporting: OMB Circular A-133 Audit Reports

Significant Deficiency and Non-Compliance

Criteria: The cover pages and terms and conditions of the grant agreements executed by and between ATC and the DoS specify that ATC shall comply with and have audits conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Pursuant to Section 505 of OMB Circular A-133, the auditors report must include a) an opinion as to whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles and an opinion as to whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements; b) a report on internal control; c) a report on compliance; and d) a schedule of findings and questioned costs.

Per Section 230(b) of OMB Circular A-133, the costs of the audit may not be charged if the audit is not conducted in accordance with OMB Circular A-133.

Condition: The financial audit reports issued for ATC's grants for the fiscal years ended 31 March 2010, 31 March 2011, and 31 March 2012, did not include the reports required pursuant to OMB Circular A-133. Specifically, a Report on Internal Control, Report on Compliance (including an opinion on compliance), and Schedule of Expenditures of Federal Awards were not included in the reporting package provided by ATC. Based on a review of the expense details itemizing costs charged to the grants, ATC did not direct charge the costs of the audits to the grants. However, the costs were charged through the indirect cost pool.

Questioned costs: Indeterminable.

Effect: The DoS may have been unaware of risks of noncompliance and instances in which ATC failed to comply with Federal rules and regulations and the terms and conditions of the grant agreements.

Cause: ATC indicated that the organization did not receive some of the terms and conditions during 2007 and 2008 and were therefore not aware of the audit requirement. They further stated that the cost of auditing the projects were unbudgeted.

Recommendation: We recommend that ATC:

1. Engage an auditor to complete audits of fiscal years 2008 and 2009 in accordance with OMB Circular A-133;
2. Have the additional audit procedures required to comply with OMB Circular A-133 completed for fiscal years 2010, 2011, and 2012;
3. Submit the final audit reports to the DoS for review; and
4. Identify the cost of each audit that was allocated to the grants through the indirect cost pool and report the amount to the Grants Officer so that they may determine if the costs should be repaid or if having the audit reporting packages revised may meet the Department's requirements.

Finding 2013-07: Reporting

Significant Deficiency and Non-Compliance

Criteria: Pursuant to the grant agreements, progress reports – including technical progress reports - are due to the DoS quarterly and must be submitted no later than 30 days following the end of each reporting period. The grant agreements specify that final report for the grant ending in 08-002 was due by July 31, 2009, and the final report for grant 09-015 was due by June 30, 2010. In addition, the provisions of 22 CFR Part 145.51 state that “quarterly or semi-annual reports shall be due 30 days after the reporting period.”

Condition: Documentation showing the dates that four reports were submitted to the DoS was unavailable. Thus, we could not determine whether the required reports were submitted by the deadlines prescribed by Federal regulations and the terms and conditions of the awards. The table below summarizes the reports in question.

Grant	Reporting Period	Report Type	Missing Item(s)
07-006	October – December 2007	Progress Report	Evidence of submission date
08-002	July – September 2008	Technical Progress Report	Evidence of submission date
08-002	Total Project	Final Progress Report	Evidence of submission date
09-015	Total Project	Final Financial Report	Evidence of submission date

Questioned costs: None

Effect: The DoS may have been unable to effectively monitor project progress and understand the nature of the work being performed without periodic progress reports.

Cause: It is unclear why supporting documentation showing the dates that the progress reports were submitted to DoS is unavailable. Per ATC, the organization normally sends the financial and technical narrative reports within 30 days after the quarter.

Recommendation: We recommend that ATC's management document and implement a procedure to monitor the submission of reports by the deadline established within the grant agreements. We further recommend that ATC retain evidence of submission dates.

SECTION 2 – Summary Schedule of Prior Audit, Review, and Assessment Findings

The Afghan Technical Consultants (“ATC”) provided to Crowe copies of three prior audit reports for the years ended March 31, 2010, March 31, 2011, and March 31, 2012. The audit firms conducted procedures and reported on the financial statement for each year. For the years ended March 31, 2010, and March 31, 2011, the financial statement was entitled a “Revenue and Expenditure Statement”. For the year ended March 31, 2012, the financial statement was entitled a “Statement of Receipts and Disbursements”. Each year’s financial statement indicated that the contents were limited to the grant awarded to ATC for the referenced ATC fiscal year. In addition, the audit reports did not include a Report on Internal Control or a Report on Compliance.

An evaluation of corrective action resulting from items questioned within the audit reports was included in our audit procedures. ATC resolved each of the prior matters emphasized presented in the audit reports. No findings were included in the reports provided to us.

Matters emphasized within each audit report follow:

Independent Auditor’s Report on the financial report for the year ended 31 March 2010, Project number S-PMWRA-09-GR-015: The auditors reported no findings. However, an emphasis of matter paragraph was included to draw attention to \$90,000 in depreciation expense for non-expendable equipment that was charged to the grant.

Status: Per communications with the funding agency and the auditee, the amount of \$90,000 was returned to the Treasury and re-obligated. This matter is resolved.

Independent Auditor’s Report on the financial report for the year ended 31 March 2011, Project number S-PMWRA-10-002: The auditors reported no findings. However, a reference was included within the “Basis of Accounting” paragraph appearing in the audit report that drew attention to \$247,000 in depreciation expense for non-expendable equipment that was charged to the grant.

Status: Per communications with the funding agency and the auditee, the amount of \$247,000 was returned to the Treasury and re-obligated. This matter is resolved.

Audited Financial Report of ATC US DOS project award No. S-PMWRA-11-GR-010 for the period April 1, 2011, to August 31, 2012: The auditors reported no findings. However, a reference was included within the “Basis of Accounting” paragraph appearing in the audit report that drew attention to \$292,000 in depreciation expense for non-expendable equipment that was charged to the grant.

Status: Per communications with the funding agency and the auditee, the amount of \$292,000 was returned to the Treasury and re-obligated. This matter is resolved.

APPENDIX A – Schedule of Property and Equipment Stolen or Destroyed

The following pages present the listing of items that were stolen or destroyed as provided by the auditee. Totals have been inserted by the auditor.

Goods Burned in Fire

S/NO	Item Name	Specification	Date	Qty	Unit	Unit Price AFG	Total Price AFG	USD Rte	Unit Price USD	Total USD
1	Tent (4x4)		8/6/2011	3	PCS	15600	46800	48		975.00
2	Blanket Moonlihg		8/6/2011	32	PCS	1250	40000	48		833.33
3	Sleeping Bag		8/6/2011	16	PCS	1350	21600	48		450.00
4	Plastic Mat		8/6/2011	10	PCS	650	6500	48		135.42
5	Carpet (Mokit)		8/6/2011	8	Meter	380	3040	48		63.33
6	Carpet		8/6/2011	2	PCS	6500	13000	48		270.83
7	Water Cooler		8/6/2011	4	PCS	300	1200	48		25.00
8	Water Continer		8/6/2011	4	PCS	300	1200	48		25.00
9	Tea Pot		8/6/2011	3	PCS	450	1350	48		28.13
10	Table Cloth		8/6/2011	6	Meter	50	300	48		6.25
11	Tray Nikle		8/6/2011	2	PCS	150	300	48		6.25
12	Water Jug		8/6/2011	2	PCS	250	500	48		10.42
13	Three Shoe		8/6/2011	4	PCS	80	320	48		6.67
14	Uniform		8/6/2011	10	Pair	1250	12500	48		260.42
15	Bag Large		8/6/2011	14	PCS	180	2520	48		52.50
16	Jacket		8/6/2011	7	PCS	1344	9408	48		196.00
17	Shoes		8/6/2011	6	Pair	900	5400	48		112.50
18	Bed Foldable		8/6/2011	14	PCS	1650	23100	48		481.25
19	Bowl		8/6/2011	4	PCS	50	200	48		4.17
20	Battrey Charger		8/6/2011	10	PCS	5184	51840	48	108	1,080.00
21	Rechargable Battery		8/6/2011	40	Can	720	28800	48	15	600.00
22	Portative Spade		8/6/2011	7	PCS	280	1960	48		40.83
23	Shovel		8/6/2011	6	PCS	150	900	48		18.75
24	Escraper		8/6/2011	10	PCS	54.74	547.4	48		11.40
25	Tent (4x4)		8/6/2011	7	PCS	15600	109200	48	325.00	2,275.00
26	Carpet		8/6/2011	3	PCS	6500	19500	48	135.42	406.25
27	Plastic Mat		8/6/2011	3	PCS	650	1950	48	13.54	40.63
28	Carpet (Mokit)	Irani	8/6/2011	2	PCS	380	760	48	7.92	15.83
29	Blanket Moonlight	دولا	8/6/2011	64	PCS	1250	80000	48	26.04	1,666.67
30	Blanket Moonlight	پک لا	8/6/2011	25	PCS		0	48		-
31	Sleeping Bag		8/6/2011	32	PCS	1350	43200	48	28.13	900.00
32	Bed Foldable		8/6/2011	20	PCS	1650	33000	48	34.38	687.50
33	Desk		8/6/2011	4	PCS	1650	6600	48	34.38	137.50
34	Chair		8/6/2011	6	PCS	580	3480	48	12.08	72.50
35	Dish Pot		8/6/2011	3	PCS	1200	3600	48	25.00	75.00
36	Gas Cylander		8/6/2011	1	PCS	800	800	48	16.67	16.67
37	Water Continer		8/6/2011	8	PCS	300	2400	48	6.25	50.00
38	Tray		8/6/2011	9	PCS	120	1080	48	2.50	22.50
39	Bowel		8/6/2011	9	PCS	50	450	48	1.04	9.38
40	Plate	Nikle	8/6/2011	6	PCS	40	240	48	0.83	5.00
41	Stove Gas for Kitchen	اجاق یا دیکدان	8/6/2011	1	PCS	1800	1800	48	37.50	37.50
42	Generator		8/6/2011	1	PCS		0	48		-
43	Box Metal	Large	8/6/2011	1	PCS	6500	6500	48	135.42	135.42
44	Tea Pot	Nilke	8/6/2011	5	PCS	400	2000	48	8.33	41.67
45	Tarpalian	تريال پلاستيکي	8/6/2011	6	Can	650	3900	48	13.54	81.25
46	Tarpalian	تريال خيمه	8/6/2011	6	PCS	650	3900	48	13.54	81.25
47	Basin	نشت کالا شويی	8/6/2011	3	PCS	180	540	48	3.75	11.25
48	Bucket	Metal	8/6/2011	5	PCS	120	600	48	2.50	12.50
49	Basin for Rice Washing	نشت برنج شويی	8/6/2011	1	PCS	180	180	48	3.75	3.75
50	Rice Strainer	چلو صاف	8/6/2011	1	PCS	150	150	48	3.13	3.13
51	Ladle	ملاقه	8/6/2011	1	PCS	40	40	48	0.83	0.83
52	Skimmer	کفگیر	8/6/2011	1	PCS	40	40	48	0.83	0.83
53	Tea Pot		8/6/2011	1	PCS	180	180	48	3.75	3.75
54	Apron Cover		8/6/2011	10	PCS	160	1600	48	3.33	33.33
55	Helmet Cover		8/6/2011	12	PCS	180	2160	48	3.75	45.00
56	Gloves		8/6/2011	24	Pair	130	3120	48	2.71	65.00
57	Mine Kit		8/6/2011	10	PCS	300	3000	48	6.25	62.50
58	Potaive Spade	تريال پروت	8/6/2011	10	PCS	280	2800	48	5.83	58.33
59	Fragmin Bag		8/6/2011	10	PCS	245	2450	48	5.10	51.04
60	Scissors	Large	8/6/2011	4	PCS	300	1200	48	6.25	25.00
61	Scissors	Smal	8/6/2011	10	PCS	100	1000	48	2.08	20.83
62	Saw	Large	8/6/2011	4	PCS	80	320	48	1.67	6.67
63	Rope		8/6/2011	110	Meter	100	11000	48	2.08	229.17
64	Wire		8/6/2011	100	Meter	10	1000	48	0.21	20.83
65	Stablizer		8/6/2011	1	PCS	1200	1200	48	25.00	25.00

[illegible]

Stolen Property - Valued in United States Dollars

[illegible]

Stolen Goods - Valued in Afghanis and Converted to U.S. Dollars

S/NO:	Item Name	Specification	Date	Qty	Unit	Unit Price AFG	Total Price AFG	USD Rate	Total USD
1	Digital Camera		30/6/2011	1	PCS	13000	13000	48	270.83
2	Chair folding		30/6/2011	1	PCS	600	600	48	12.50
3	Strecher		30/6/2011	1	PCS	4000	4000	48	83.33
4	Medical Kit	Large	30/6/2011	1	PCS	1050	1050	48	21.88
5	Medical Kit	Small	30/6/2011	1	PCS	1800	1800	48	37.50
6	Demining Box		30/6/2011	1	PCS	6500	6500	48	135.42
7	Blanket Moonlight		30/6/2011	1	PCS	1250	1250	48	26.04
8	Loud Speaker		30/6/2011	1	PCS	1050	1050	48	21.88
9	Pilow		30/6/2011	1	PCS	150	150	48	3.13
10	Back Bag		30/6/2011	1	PCS	650	650	48	13.54
11	Metal detector (Ceia)		30/6/2011	11	PCS	74880	823680	48	17,160.00
12	Helmet		30/6/2011	14	PCS		0	48	-
13	Loud Speaker		30/6/2011	1	PCS	1050	1050	48	21.88
14	Digital Camera		30/6/2011	1	PCS	13000	13000	48	270.83
15	Range Finder		30/6/2011	1	PCS		0	48	-
16	Vest Rovlin		30/6/2011	10	PCS	25920	259200	48	5,400.00
17	Vest Rovlin		30/6/2011	4	PCS	26352	105408	48	2,196.00
18	Helmet Cover		30/6/2011	14	PCS	180	2520	48	52.50
19	Apron Cover		30/6/2011	14	PCS	160	2240	48	46.67
20	Boynate		30/6/2011	10	PCS	140	1400	48	29.17
21	Scraper		30/6/2011	10	Meter	54.74	547.4	48	11.40
22	Ring Scraper		30/6/2011	10	Meter		0	48	-
23	Prodding Tarpalain		30/6/2011	10	PCS	39.55	395.5	48	8.24
24	Mine Kit		30/6/2011	10	PCS	300	3000	48	62.50
25	Demining Rod		30/6/2011	20	PCS	35	700	48	14.58
26	Rope		30/6/2011	250	PCS	13	3250	48	67.71
27	Poling Hook		30/6/2011	1	PCS		0	48	-
28	Mine Marker		30/6/2011	10	PCS	30	300	48	6.25
29	Fragment Bag		30/6/2011	10	PCS	245	2450	48	51.04
30	Saw folding		30/6/2011	10	PCS		0	48	-
31	Portative Spade		30/6/2011	10	PCS	280	2800	48	58.33
32	Pick 120cm		30/6/2011	10	PCS	160	1600	48	33.33
33	Scissor		30/6/2011	10	PCS	300	3000	48	62.50
34	Pliars		30/6/2011	2	PCS	120	240	48	5.00
35	Knife		30/6/2011	1	PCS	60	60	48	1.25
36	Metal Bucket		30/6/2011	1	PCS	120	120	48	2.50
37	Cutter Piller		30/6/2011	10	PCS	100	1000	48	20.83
38	Pickax		30/6/2011	10	PCS	100	1000	48	20.83
39	Measuring Tape		30/6/2011	2	PCS	150	300	48	6.25
40	Gloves		30/6/2011	10	Pair	130	1300	48	27.08
41	Battery Rechargeable		30/6/2011	84	PCS	720	60480	48	1,260.00
42	Magnatic for Demining		30/6/2011	10	PCS	27.78	277.8	48	5.79
43	Shovel		30/6/2011	2	PCS	150	300	48	6.25
44	Team Leader Bag		30/6/2011	3	PCS	550	1650	48	34.38
45	Magnatic Portative Spade		30/6/2011	11	PCS		0	48	-
46	Water Cooler		30/6/2011	1	PCS	300	300	48	6.25
47	GPS		30/6/2011	1	PCS	10320	10320	48	215.00
48	Campass		30/6/2011	1	PCS	2557.4	2557.4	48	53.28
49	Metal detector (Ceia)		30/6/2011	11	PCS	74880	823680	48	17,160
50	Apron		30/6/2011	14	PCS	26352	368928	48	7,686
51	Full face Visor		30/6/2011	14	PCS	2736	38304	48	798
52	Scraper		30/6/2011	20	PCS	54.74	1094.8	48	23
53	Dust Pot		30/6/2011	10	PCS	44.19	441.9	48	9
54	Rope		30/6/2011	200	PCS	13	2600	48	54
55	Poling Hook		30/6/2011	1	PCS	250	250	48	5
56	Ring Scraper		30/6/2011	10	PCS		0	48	-
57	Magnatic for Demining		30/6/2011	10	PCS	27.78	277.8	48	6
58	Fragment Bag		30/6/2011	10	PCS	245	2450	48	51
59	Mine Kit		30/6/2011	10	PCS	300	3000	48	63
60	Prodding Tarpalain		30/6/2011	12	PCS	39.55	474.6	48	10
61	Stick 120cm		30/6/2011	10	PCS	160	1600	48	33
62	Mine Marker		30/6/2011	20	PCS	30	600	48	13
63	Apron Cover		30/6/2011	14	PCS	160	2240	48	47
64	Helmet Cover		30/6/2011	14	PCS	180	2520	48	53
65	Portative Spade		30/6/2011	10	PCS	280	2800	48	58
66	Pickax		30/6/2011	10	PCS	160	1600	48	33
67	Battery Rechargeable Size -D		30/6/2011	80	PCS	720	57600	48	1,200
68	Demining Rod		30/6/2011	20	PCS	35	700	48	15
69	Gloves		30/6/2011	20	Can	130	2600	48	54
70	Team Leader Bag		30/6/2011	3	PCS	550	1650	48	34

71	Measuring Tape		30/6/2011	2	PCS	150	300	48	6
72	GPS		30/6/2011	1	PCS	10320	10320	48	215
73	Campass		30/6/2011	1	PCS	2557.4	2557.4	48	53
74	Magnatic for Demining		30/6/2011	10	PCS	27.78	277.8	48	6
75	Digital Camera		30/6/2011	1	PCS	13000	13000	48	271
TOTAL UNITS:									1,148
TOTAL USD:									\$ 55,799

APPENDIX B – Imputed Interest Calculation Pertaining Resulting from Excess Cash Balances

Grant S-PMWRA-07-GR-006

Month	Receipts	Cumulative Cash Receipts	Cumulative Costs Incurred	Excess Cash	Days Outstanding	CMIA Rate	Interest Payable
Apr-07			\$24,210.14	\$0.00	0		\$0.00
May-07	\$700,000.00	\$700,000.00	\$49,472.05	\$0.00	0		\$0.00
Jun-07		\$700,000.00	\$121,995.19	\$578,004.81	30	0.0001033	\$1,791.24
Jul-07		\$700,000.00	\$154,922.66	\$545,077.34	30	0.0001033	\$1,689.19
Aug-07	\$200,000.00	\$900,000.00	\$169,388.61	\$530,611.39	30	0.0001033	\$1,644.36
Sep-07		\$900,000.00	\$765,175.16	\$134,824.84	30	0.0001033	\$417.82
Oct-07		\$900,000.00	\$776,977.30	\$123,022.70	30	0.0001033	\$381.25
Nov-07		\$900,000.00	\$830,617.87	\$69,382.13	30	0.0001033	\$215.02
Dec-07		\$900,000.00	\$933,060.86	-\$33,060.86	0		\$0.00
Jan-08	\$200,000.00	\$1,100,000.00	\$1,084,913.13	-\$184,913.13	0		\$0.00
Feb-08	\$100,000.00	\$1,200,000.00	\$1,151,708.01	-\$51,708.01	0		\$0.00
Mar-08		\$1,200,000.00	\$1,200,000.00	\$0.00	0		\$0.00

Total: \$6,138.88
Less \$250: \$5,888.88

Grant S-PMWRA-08-GR-002

Month	Receipts	Cumulative Cash Receipts	Cumulative Costs Incurred	Excess Cash	Days Outstanding	CMIA Rate	Interest Payable
Apr-08	\$1,000,000.00	\$1,000,000.00	\$30,844.65	\$0.00	0		\$0.00
May-08	\$0.00	\$1,000,000.00	\$177,569.16	\$0.00	0		\$0.00
Jun-08	\$0.00	\$1,000,000.00	\$479,289.50	\$520,710.50	30	0.0000269	\$420.21
Jul-08	\$0.00	\$1,000,000.00	\$588,496.89	\$411,503.11	30	0.0000269	\$332.08
Aug-08	\$0.00	\$1,000,000.00	\$672,251.85	\$327,748.15	30	0.0000269	\$264.49
Sep-08	\$0.00	\$1,000,000.00	\$955,615.30	\$44,384.70	30	0.0000269	\$35.82
Oct-08	\$525,000.00	\$1,525,000.00	\$1,026,103.08	-\$26,103.08	0		\$0.00
Nov-08	\$0.00	\$1,525,000.00	\$1,135,557.30	\$389,442.70	30	0.0000269	\$314.28
Dec-08	\$0.00	\$1,525,000.00	\$1,300,797.65	\$224,202.35	30	0.0000269	\$180.93
Jan-09	\$0.00	\$1,525,000.00	\$1,381,305.40	\$143,694.60	30	0.0000269	\$115.96
Feb-09	\$500,000.00	\$2,025,000.00	\$1,532,984.98	-\$7,984.98	0		\$0.00
Mar-09	\$0.00	\$2,025,000.00	\$2,020,030.57	\$4,969.43	30	0.0000269	\$4.01

Total: \$1,667.79
Less \$250: \$1,417.79

Grant S-PMWRA-09-GR-015

Month	Receipts	Cumulative Cash Receipts	Cumulative Costs Incurred	Excess Cash	Days Outstanding	CMIA Rate	Interest Payable
Apr-09	\$500,000.00	\$500,000.00	\$192,553.56	\$0.00	0		\$0.00
May-09	\$0.00	\$500,000.00	\$399,336.58	\$0.00	0		\$0.00
Jun-09	\$0.00	\$500,000.00	\$644,870.85	-\$144,870.85	0		\$0.00
Jul-09	\$0.00	\$500,000.00	\$793,954.19	-\$293,954.19	0		\$0.00
Aug-09	\$1,000,000.00	\$1,500,000.00	\$948,142.59	-\$448,142.59	0		\$0.00
Sep-09	\$0.00	\$1,500,000.00	\$1,191,051.88	\$308,948.12	30	0.0000035	\$32.44
Oct-09	\$0.00	\$1,500,000.00	\$1,302,264.24	\$197,735.76	30	0.0000035	\$20.76
Nov-09	\$0.00	\$1,500,000.00	\$1,452,885.71	\$47,114.29	30	0.0000035	\$4.95
Dec-09	\$1,000,000.00	\$2,500,000.00	\$1,864,194.63	-\$364,194.63	0		\$0.00
Jan-10	\$0.00	\$2,500,000.00	\$2,285,668.05	\$214,331.95	0		\$0.00
Feb-10	\$350,000.00	\$2,850,000.00	\$2,537,942.43	-\$37,942.43	0		\$0.00
Mar-10	\$0.00	\$2,850,000.00	\$2,860,049.95	-\$10,049.95	0		\$0.00

Total: \$58.15
Less \$250: -\$191.85

Grant S-PMWRA-10-GR-002

Month	Receipts	Cumulative Cash Receipts	Cumulative Costs Incurred	Excess Cash	Days Outstanding	CMIA Rate	Interest Payable
Apr-10	\$0.00	\$0.00	\$183,485.30	\$0.00	0		\$0.00
May-10	\$0.00	\$0.00	\$360,700.34	\$0.00	0		\$0.00
Jun-10	\$1,000,000.00	\$1,000,000.00	\$711,615.43	-\$711,615.43	0		\$0.00
Jul-10	\$0.00	\$1,000,000.00	\$905,190.91	\$94,809.09	30	0.0000039	\$11.09
Aug-10	\$0.00	\$1,000,000.00	\$1,373,231.54	-\$373,231.54	0		\$0.00
Sep-10	\$0.00	\$1,000,000.00	\$1,609,047.07	-\$609,047.07	0		\$0.00
Oct-10	\$1,000,000.00	\$2,000,000.00	\$1,883,873.59	-\$883,873.59	0		\$0.00
Nov-10	\$0.00	\$2,000,000.00	\$2,112,433.05	-\$112,433.05	0		\$0.00
Dec-10	\$1,000,000.00	\$3,000,000.00	\$2,685,883.91	-\$685,883.91	0		\$0.00
Jan-11	\$1,000,000.00	\$4,000,000.00	\$2,890,272.07	\$109,727.93	30	0.0000039	\$12.84
Feb-11	\$0.00	\$4,000,000.00	\$3,239,860.38	\$760,139.62	30	0.0000039	\$88.94
Mar-11	\$0.00	\$4,000,000.00	\$3,935,505.28	\$64,494.72	30	0.0000039	\$7.55

Total: \$120.41
Less \$250: -\$129.59

Grant S-PMWRA-11-GR-010

Month	Receipts	Cumulative Cash Receipts	Cumulative Costs Incurred	Excess Cash	Days Outstanding	CMIA Rate	Interest Payable
Apr-11	\$0.00	\$0.00	\$162,743.61	\$0.00	0		\$0.00
May-11	\$1,000,000.00	\$1,000,000.00	\$415,203.88	\$0.00	0		\$0.00
Jun-11	\$0.00	\$1,000,000.00	\$643,011.34	\$356,988.66	30	0.0000011	\$11.78
Jul-11	\$0.00	\$1,000,000.00	\$828,582.86	\$171,417.14	30	0.0000011	\$5.66
Aug-11	\$333,333.00	\$1,333,333.00	\$1,032,189.86	-\$32,189.86	0		\$0.00
Sep-11	\$666,667.00	\$2,000,000.00	\$1,462,802.49	-\$129,469.49	0		\$0.00
Oct-11	\$0.00	\$2,000,000.00	\$1,898,801.05	\$101,198.95	30	0.0000011	\$3.34
Nov-11	\$333,333.00	\$2,333,333.00	\$2,056,429.21	-\$56,429.21	0		\$0.00
Dec-11	\$0.00	\$2,333,333.00	\$2,411,076.36	-\$77,743.36	0		\$0.00
Jan-12	\$666,667.00	\$3,000,000.00	\$2,792,535.49	-\$459,202.49	0		\$0.00
Feb-12	\$666,666.00	\$3,666,666.00	\$3,084,087.81	-\$84,087.81	0		\$0.00
Mar-12	\$333,334.00	\$4,000,000.00	\$3,844,184.18	-\$177,518.18	0		\$0.00
Apr-12	\$0.00	\$4,000,000.00	\$3,866,326.69	\$133,673.31	30	0.0000011	\$4.41
May-12	\$0.00	\$4,000,000.00	\$3,886,609.96	\$113,390.04	30	0.0000011	\$3.74
Jun-12	\$0.00	\$4,000,000.00	\$3,952,483.63	\$47,516.37	30	0.0000011	\$1.57
Jul-12	\$0.00	\$4,000,000.00	\$3,983,511.61	\$16,488.39	30	0.0000011	\$0.54
Aug-12	\$0.00	\$4,000,000.00	\$4,004,241.56	-\$4,241.56	0		\$0.00

\$31.04

Less \$250 -\$218.96

Total Payable: \$7,307

Note 1: The total payable amount excludes years with a net negative after addressing \$250 retention.

Note 2: Excess cash was defined, for purposes of the audit, as the cumulative amount of funds drawn down that exceeded the sum of the project's cumulative expenditures as of month-end and the expenditures for the subsequent month.

Note 3: Due to ATC's conducting conversions of Afghanis to U.S. dollars on a quarterly basis, presentation of amounts on a monthly basis when summed will not agree to cumulative amounts appearing on the Fund Accountability Statement.

APPENDIX C - Views of Responsible Officials

ATC Management Comments

On

The Audit Report on the ATC

Fund Accountability Statement

Demining Projects for Various Regions of Afghanistan
For the Period April 1, 2007, through August 31, 2012

(Schedule of Findings and Question Cost)

Audit Observation:

In Page 2, Paragraph 3.1 of the summary/background it is written that “ATC has cleared over 2 million square meters of impacted minefields using DoS-Funded teams”.

ATC Comment on the above Observation: Here, we want to highlight that ATC US DoS-funded teams have cleared, prepared and processed over 15,087,461 square meters of impacted minefields using DoS-Funded teams during the projects under review. The exact figures can be seen in the below Grant-wise activities table.

AWARD NO	START DATE	END DATE	AT	AP	UXO	SAA	FRAGMENT FOUND	TOTAL AREA CLEARED	AREA PREPARED Sq M	AREA PROCESSED Cubic M
S-PMWRA-07-GR-006	4/1/2007	3/31/2008	-	51	98	-	130,409	233,259	36,537	4,525
S-PMWRA-08-GR-002	4/1/2008	3/31/2009	8	220	2,853	-	412,331	818,342	154,594	6,868
S-PMWRA-09-GR-015	4/1/2009	3/31/2010	-	1,123	66,430	-	1,357,568	3,670,879	202,654	7,354
S-PMWRA-10-GR-002	4/1/2010	3/31/2011	1	952	9,818	7,000	2,985,789	4,454,309	389,335	4,875
S-PMWRA-11-GR-010	4/1/2011	8/31/2012	45	607	26,258	500	2,529,501	4,999,560	99,010	5,360
TOTAL			54	2,953	105,457	7,500	7,415,598	14,176,349	882,130	28,982

According to the above, the clearance rate is less than US\$ 1 per square meter; demonstrating that exceeding the targets set by the mine action program in Afghanistan, the projects have been implemented efficiently and cost-effectively.

Audit Observation: In Paragraph 3.4 Employing of more than 30 individual has been mentioned.

ATC Comment to the observation: The correct figure is not 30 individuals, it is an average of 250 staff employed during the life of different projects.

Finding 2013-01: Procurement: Competitive Procedures, Cost Price Analyses, and Internal Controls**ATC Response:**

The fuel purchase was not made in bulk. The fuel was purchased for vehicles and generators according to the organization’s procurement policy and procedure. On basis of ATC’s policy, goods/material and fuel which cost US \$ 500 or more, need quotes, cost and price analysis and purchase order. While that goods/material which cost less than US \$ 500, don’t need the mentioned documentation. In this specific case, the maximum cost of a single-day bills didn’t exceed US \$ 315 which didn’t require quotes, price

analysis and purchase order. The procurement committee has signed in the back of every bill. The maximum cost of the bill can be seen in the attached total purchase form.

Item	Voucher Number	Date	Description of Change / Particular Vendor	Period Covered From – To	No of Bill(s)	No of Vehicle/ Generator	Amount (AFN)
1	JV-2	30-Apr-11	Diesel expenses of vehicles for Site office Gardiz	04/04/11-28/04/11	15	5	69,135
2	JV-239	31-Jan-12	Fuel expenses for generators of MDD-Site	04/01/12-30/01/12	4	1	14,580
3	BPV-127	17-Mar-09	Shirkat e tijarti Nide Afghanistan Pump Station	03/03/2009	1	1	7,600
4	BPV-89	31-Dec-08	Shirkat e tijarti Nide Afghanistan Pump Station	15/12/08-31/12/08	4	2	15,398
5	BPV-182	30-Dec-10	Shirkat e tijarti Nide Afghanistan Pump Station	01/12/10-26/12/10	6	2	41,300
6	BPV-115	9-Feb-09	Shirkat e tijarti Nide Afghanistan Pump Station	01/02/09-04/02/09	5	3	17,899
7	JV-111	31-Aug-09	Fuel for Heating/Generator – For DT-43 Project	01/08/09-22/08/09	2	1	8,268
8	JV-70	30-Jun-09	Fuel for Heating/Generator for DT-43 project 50	11/06/09-21/06/09	2	1	8,640
9	BPV-244	31-Mar-10	Fuel expenses for land cruiser and coaster for DT-44	01/03/10-22/3/10	7	2	25,565
10	BPV-246	31-Mar-10	Fuel expenses for kamaz vehicle for MDU-10 514 liter @ 40	01/03/10-16-03-10	3	2	20,560
11	BPV-246	31-Mar-10	Fuel expenses for kamaz vehicle for MDD	02/03/10-25/03/10	19	2	38,480
12	BPV 246	31-Mar-10	Fuel expenses for kamaz vehicle for DT-44	01/03/10-27/03/10	11	3	49,280
Sub-Total:						316,705	
Conversion to USD @ 48 Afs per \$1:						\$6,598	
Total:						\$6,598	

Notes:

1. Based on ATC procurement policies, for each and every purchasing for \$500 or above, cost analysis is done properly. But, for any single procurement less than \$500, the purchase

committee takes all necessary steps to get the best quality and price and sign in the back of each bill.

2. The maximum cost of each bill can be seen in Annex A 2013 - 01.

Finding 2013-02: Allowable Costs: International Travel Approvals

ATC Response:

In the guidelines ATC received from the US Department of State in late 2011, it was mentioned about using US-Flag carriers' airplanes which was not applicable in these cases.

According to the ATC internal SOP the Director or the Deputy Director of NGO sign both domestic and overseas travel authorization forms of ATC Staff in the past more than 2 decades which can be presented in these four specific cases as well. Here, it is to be highlighted that the international travels have taken place to purchase project goods and items with acceptable quality and reasonable prices which were not available in the local market. These travels contributed toward the projects goals and objectives significantly and saved a noticeable amount of money.

Finding 2013-03: Equipment and Property Management: Stolen and Destroyed Property

ATC Response:

ATC is not agree with the word of "theft" because all these accidents happened by unknown armed people, ATC has implemented and did its best to set better control to ensure adequate safeguard to prevent loss, damage and theft of the equipment, however due to existence of illegal armed people in the area, a series of unknown armed attacks happened in ATC overall projects in last 24 years which resulted in loss, damages and robbery of equipment. It is to be mentioned that all incidents took place when armed people attacked ATC staff on the way towards base camps from the field or vice versa and in the field, hijacked their vehicles, tortured the field staff and forcefully seized the equipment. None of them happened in the office. Such incidents happen in Afghanistan accidentally. ATC cannot hire extra guards in such areas, instead considering advice MACCA Regional Office. ATC employed some influential locals as guard, unfortunately that also could not help.

On the other hand, MACCA proposal review team does not allow us to hire extra staff and guards for teams/base camps as MACCA policy for all projects; It is important that each ATC proposal shall be attested by them before submission to the State Department.

Anyway, ATC is pleased that no human life was lost in the DoS-funded projects due to security incidents. Unfortunately, similar projects of ATC suffered more as 6 people were shot dead in Balkh province in March 2008 and one person was killed in Paktya by the insurgents in 1990. While the effective management of the organization resulted in immediate release of 13 staff, who had been kidnapped in Paktya province in September 2007.

It is worth mentioning that ATC reported these incidents to the police and Department of State soon after the incidents.

In the case of fire at the Paktya base camp, all safety measure and precautions were taken into account. But an unexpected wind and foul weather dispersed a small fire and caused the damages to the demining equipment while demining teams were on the demining field. ATC informed the fire fighter right away which with their cooperation the fire came under the control. ATC investigated the incidents properly, took corrective action and even reprimanded the short comers. In addition, at the earliest possible time we have reported the incidents to the State Department through proper reporting channels. Here, the management of ATC does not have any shortcoming to show weak control. The copies of the reports are attached as annex C.

Finding 2013-04: Allowable Costs: Employee Time Records

ATC Response:

According to the administration rules and policies, all professional and non-professional employees like guards, drivers, medics etc maintain proper attendance book. While the project personnel sign the attendance books regularly and on a daily basis. But, the attendance books are not attached with the Salary sheets and vouchers and are kept in the site as record of attendance of teams and the site office. On basis of the attendance books attendance reports are prepared by the admin staff which shows present, absent, seconded, sickness, annual leave, leave without pay and team leave status. This attendance report is prepared by the related supervisor and checked by the site officer and signed and submitted to the Admin manager who checks and verifies their accuracy and then it is approved by the Director or Deputy Director. Then the finance department prepares the payroll or salary sheet of the personnel on basis of this approved and verified attendance report.

It is worth mentioning that the professional and non-professional personnel are generally selected from different provinces of Afghanistan and they are stationed 24 hours in the base camp. They spend 50 consecutive days in the base camp which is always located nearby to their work sites. After a 50-day demining mission, the teams have 10 days leave. Considering the security situation and the Afghan Mine Action Standards (AMAS) and ATC Standard Operating Procedures (SOP), the base camp is selected in a suitable place near to the work site. In addition, demining activities vary from other daily routine work. It is very sensitive and high risk is associated. ATC field staff sign their daily attendance book before departing to work early in the morning and start working at 07:00 a.m and continue up to 1 p.m. At the end of daily demining work each person signs the attendance book again. Moreover, they have to stay in the base camp during rest of the day and night and take preparation for tomorrow's work. Each person must recharge his Mine Detector and hand held radio rechargeable batteries every afternoon which takes about 5 hours. If the batteries are not charged well, the mine detector will lose its sensitivity and could have catastrophic consequences. Also, non-professional staffs do their specific work. Maintaining time sheets in the provinces of this country is not practical where computerized system is not available in the villages and the fields. But, ATC believes that in the current situation it has adopted the most convenient method for its internal control.

Finally, if we ask reimbursement of the salaries from poor field staff of the projects who have worked very hard and suffered for their country, it would affect badly the image of the United States and ATC among the society. Obviously, it is in contrast with the project objectives and no one wants it to happen.

Pictures of the personnel attendance books, their base camp and mission leave or team leave plan are attached for your information as annex D.

Finding 2013-05: Cash Management: Requirements for Payment on the Advance Basis

ATC Response:

ATC US DoS Funded Project has received an amount of US \$ 1,356 interest on project bank account and it was spent in the project that has been mentioned in the Note No. 9. We have not received any direction from the donor to do differently. However, the remaining sum of US \$ 1,116 interests earned from 2010 to 2012 on the project bank accounts are reserved and will be paid off to the Government bank account whenever they ask. So far we didn't have the Government bank account details to pay the interest therefore it was reserved.

Finding 2013-06: Cash Management: Drawdown Exceeded Immediate Cash Needs.

ATC Response:

ATC US DoS-Funded Project received funds on basis of Section D of Standard Form 424 A, which is part of the proposal budget, till March 2012 that was set with the agreement of ATC and DOS division of full budget in four quarters to be able to spend the money by end of the project. From April 2012 onwards we receive fund on monthly basis.

Finding 2013-07: Reporting: OMB Circular A-133 Audit Reports

ATC Response:

If the donor is interested in auditing the mentioned projects and provides fund for this purpose, ATC do not have any objection in this regard.

Finding 2013-08: Reporting

ATC Response:

ATC US DoS Funded Project has been submitting the project financial and technical narrative reports with considering the contracts and statement of works through Payment Management System (PMS), and to the Program Manager and Assistant Program Manager addresses as well as through Grant Solution. So far there is not any barrier in submitting reports between us and donor. The continuation of funds from the State Department for the last consecutive 8 years is a very good proof for this.

The schedule of reports submitted is as following:

Grant	Reporting Period	Report Type	Date of Submission	To whom report was submitted
07-006	October – December 2007	Progress Report	10/02/2008	Denis Hadrick
08-002	July – September 2008	Technical Progress Report	18/10/2008	Ms. Tonja Thomas
09-015	January – March 2010	Technical Progress Report	30/04/2010	Banner Selecia BannerSL@state.gov

10-002	January – March 2011	Technical Progress Report	01/05/2011	Banner Selecia BannerSL@state.gov
11-010	July-September 2011	Technical Progress Report	27/10/2011	Steven.Kerwin@bluebottle.com
08-002	Total Project	Final Progress Report	13/05/2009	Ms. Tonja Thomas, its copy will be send to Crowe Horwath attached
09-015	Total Project	Final Financial Report	30/04/2010	Banner Selecia BannerSL@state.gov

It is worth mentioning that creating Final Financial Report in the Payment Management System is impossible. Therefore the last quarter financial report of the grant can be accepted as Final Financial Report. The copies of the evidences are attached as Annex H.

ATC Management Team’s Final Opinion

As the first humanitarian demining NGO in the world ATC was established in early 1989 by the request and financial support of the United Nations with the annual budget starting from US\$ 5 M to 12 M through the UN or directly.

ATC has received valuable assistance from the Department of State of the USA since 2005 for running demining projects in different parts of the country.

ATC management tries their best to implement the project with due care and utmost attention. The WRA Grant Officer convened a workshop and delivered a Power point presentation in late 2011 for the first time for all recipients NGOs and continued with providing the guidelines in writing and through e-mails. ATC managed to implement them in the project 2012-2013.

ATC has been trying to spend donor’s money in the best possible efficient and effective way as it has achieved more than the set targets for the overall implemented projects including the DoS-funded ones.

During the course of operations for the subject projects ATC has spent US\$ 13,422,356 and has cleared, prepared and processed almost 15,087,461 square meters of mine/ERW contaminated area which reflects less than one US dollar per each square meter. The projects resulted in discovering and destroying 115,964 antitank, antipersonnel mines and explosive remnants of war from the target communities. This humanitarian project saved 1000s of lives of the innocent children, women and men and, as a result, improved the image of the United States in different category communities across the country.

ATC has implemented the projects with an average staff of 250. These staff besides performing their jobs were able to feed their families and educate their children and also many other children of the project stakeholders in the society with the money they received as remunerations.

Therefore, we do not see any big concern in ATC’s performance in the DoS – Funded Projects under review as ATC staff have done their jobs in the light of current SOPs in the best possible way and based on their knowledge.

Finally, we believe that all criteria for a successful project is visible here:

- Achievement the goals
- Good productivity rate

- Cost effectiveness (better than cost-fix projects of demining commercial companies)

We would like to express our gratitude to the audit companies both in Kabul and Washington and the ATC staff who worked very hard during fasting month of Ramzan to make this auditing process possible and successful. Especially, we are thanking the SIGAR and the State Department who recognized the tense situation in which ATC operates and delivers its life-saving services.

With Best Regards,

APPENDIX D – Auditor’s Rebuttal

Auditor's Rebuttal

Crowe Horwath LLP, in consideration of the views presented by the management of the Afghan Technical Consultants ("ATC" or the "auditee"), presents the following rebuttal to certain matters presented by the auditee. The responses below are intended to clarify factual errors and provide context, where appropriate, to assist users of the report in their evaluation of the audit report. In those instances where management's response did not provide new information and support to modify the facts and circumstances that resulted in the initial finding, we have not provided a response. The absence of a rebuttal indicates that Crowe does not deem it necessary to correct or clarify any response of the auditee.

Please note that the finding numbers referenced below reflect the findings that appeared in the draft report and correspond to management's responses. The finding numbers below will not correspond to the final audit report due to the referenced actions.

Finding 2013-08

We reviewed the technical progress report provided by ATC and have removed the component of the finding pertaining to the report not having been developed. We also reviewed the documentation provided by ATC showing the dates that certain reports were submitted to the Department of State (DoS) staff and/or monitors via electronic mail. Upon review, we have removed the components of the finding pertaining to the fourth quarter of 2010 quarterly financial and narrative report; the fourth quarter of 2011 financial and narrative report; and the second quarter of 2011 financial and technical narrative report (this finding appears as Finding 2013-07 in the final version of the report).

ATC also provided copies of letters drafted to the State Department that were intended to accompany reports submitted to DoS. Using the letters, we could not determine the actual submission dates. Thus, no additional changes were made to the finding.

SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
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