

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 15-20 Financial Audit

USAID's Afghan Clean Energy Program: Audit of Costs Incurred by International Resource Group



NOVEMBER
2014

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 8, 2009, the U.S. Agency for International Development (USAID) signed a contract task order in the amount of \$13.0 million with International Resource Group (IRG) to provide long-term energy solutions in targeted areas of Afghanistan. The contract task order funded the Afghan Clean Energy Program (ACEP), whose purpose was to develop, install, and rehabilitate renewable energy systems in isolated areas and to promote energy efficiency. Through subsequent modifications to the contract task order, the value of the award increased to \$23.9 million.

SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe Horwath), reviewed \$23.9 million in expenditures charged to the ACEP contract task order from September 8, 2009 through April 30, 2012. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in IRG's internal controls related to the contract task order; (2) identify and report on instances of noncompliance with the terms of the task order and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether IRG had taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of IRG's Special Purpose Financial Statement. See Crowe Horwath's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, SIGAR is required by auditing standards to review the audit work performed. Accordingly, we oversaw the audit and reviewed its results. Our review disclosed no instances where Crowe Horwath did not comply, in all material respects, with U.S. generally accepted government auditing standards.

November 2014

USAID's Afghan Clean Energy Program: Audit of Costs Incurred by International Resource Group

SIGAR 15-20-FA

WHAT THE AUDIT FOUND

Crowe Horwath LLP (Crowe Horwath) identified six internal control weaknesses and five instances of noncompliance with the terms of the contract task order. For example, the contract task order stated that the contractor must submit monthly construction schedules and develop a construction database that would track the project information. Crowe Horwath found that International Resource Group (IRG) inadequately tracked project costs. Specifically, IRG could not provide the cost, GPS location, or complete budget expenditures by site. This lack of supporting documentation prevented the verification of completed project work, leading Crowe Horwath to question the construction work due to an inability to verify that work was performed.

As a result of these internal control weaknesses and instances of noncompliance, Crowe Horwath identified \$16,207,400 in total questioned costs, all of it consisting of unsupported costs—costs not supported with adequate documentation or that did not have required prior approval. Crowe Horwath did not identify any ineligible costs—costs prohibited by the agreement, applicable laws, or regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
IRG Employee Labor	\$0	\$2,635	\$2,635
Other Direct Costs	\$0	\$794,307	\$794,307
Non-expendable Property (over \$500)	\$0	\$103,405	103,405
Subcontracts	\$0	\$6,814,109	\$6,814,109
Procurement	\$0	\$8,492,944	\$8,492,944
Totals	\$0	\$16,207,400	\$16,207,400

Crowe Horwath did not identify any audits, reviews, or assessments that contained findings with a potential material impact on IRG's Special Purpose Financial Statement.

Crowe Horwath issued a disclaimer of opinion on IRG's Special Purpose Financial Statement, meaning that Crowe Horwath was prevented from expressing an opinion on the Statement's fair presentation and whether it was free from material misstatement. This was because Crowe Horwath could not determine if the costs presented in the Statement were used to meet the project objectives. In other words, Crowe Horwath was unable to determine what IRG spent \$16,207,400 on.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the Mission Director for USAID/Afghanistan:

1. **Determine the allowability of and recover, as appropriate, \$16,207,400 in questioned costs identified in the report.**
2. **Advise IRG to address the report's six internal control findings.**
3. **Advise IRG to address the report's five noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

November 18, 2014

Dr. Rajiv Shah
Administrator
U.S. Agency for International Development

Mr. William Hammink
USAID Mission Director for Afghanistan

We contracted with Crowe Horwath LLP (Crowe Horwath) to audit the costs incurred by International Resource Group (IRG) under a U.S. Agency for International Development (USAID) contract task order.¹ Crowe Horwath's contracted audit covered expenditures of \$23.9 million charged to the contract task order from September 8, 2009 through April 30, 2012. The contract required the audit to be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, SIGAR recommends that the Mission Director for USAID/Afghanistan:

- 1. Determine the allowability of and recover, as appropriate, \$16,207,400 in questioned costs identified in the report.**
- 2. Advise IRG to address the report's six internal control findings.**
- 3. Advise IRG to address the report's five noncompliance findings.**

The results of Crowe Horwath's audit are further detailed in the attached report. We reviewed Crowe Horwath's report and related documentation. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on IRG's Special Purpose Financial Statement. We also express no opinion on the effectiveness of IRG's internal control or compliance with the contract task order, laws, and regulations. Crowe Horwath is responsible for the attached auditor's report and the conclusions expressed in the report. However, our review disclosed no instances where Crowe Horwath did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

We will be following up with your agency to obtain information on the corrective actions taken in response to our recommendations.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-032)

¹ USAID awarded contract task order EPP-I-11-03-00006-00 to IRG to provide long-term energy solutions in targeted areas of Afghanistan through the Afghan Clean Energy Program. The program's purpose was to develop, install, and rehabilitate renewable energy systems in isolated areas and to promote energy efficiency.



**International Resources Group
Special Purpose Financial Statement
Afghan Clean Energy Program
For the Period September 8, 2009 through April 30, 2012
(With Independent Auditor's Report Thereon)**

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Transmittal Letter

August 5, 2014

To Mr. Mike Alber, Senior Vice President & Chief Financial Officer
Engility Corporation
3750 Centerview Drive
Chantilly, VA 20151

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 draft report regarding the procedures that we have conducted during the course of our audit of International Resource Group's ("IRG") contract task order with the United States Agency for International Development ("USAID") funding the Afghan Clean Energy Program ("ACEP").

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 Special Purpose Financial 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. IRG is a wholly owned subsidiary of Engility Corporation, therefore, this transmittal letter and the corresponding audit reports are addressed to those charged with governance and the management of Engility Corporation.

When preparing our report, we considered comments, feedback, and interpretations provided by IRG, the Office of the Special Inspector General for Afghanistan Reconstruction, and USAID both in writing and orally throughout the audit planning, fieldwork, and reporting phases. Management's final written response to audit findings will be incorporated into the final report as **Appendix C**.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of IRG's ACEP project.

Sincerely,

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

Bert Nuehring, CPA, Partner
Crowe Horwath LLP



www.crowehorwath.com

Summary

Background

The International Resource Group (“IRG”) entered into a contract task order with the United States Agency for International Development (“USAID”) to provide long-term energy solutions in targeted areas of Afghanistan. The intended effects of the program – entitled the “Afghan Clean Energy Program” (“ACEP”) – were to develop, install, and rehabilitate renewable energy systems in isolated areas; promote energy efficiency for the entire system, particularly for the larger systems and those that will eventually form the northeast grid; and provide policy support and capacity building. The contract task order – EPP-I-11-03-00006-00 – incorporated an initial ceiling price of \$13,041,039 and a period of performance of September 8, 2009, through September 7, 2013. Through subsequent modifications to the task order, the final completion date was established as April 30, 2012, with an obligated amount of \$23,913,041. Total costs incurred under the program amounted to \$23,913,041.

Throughout the project period, work was performed in various regions of Afghanistan. IRG worked with program participants, USAID, and various contractors to deliver the requested project scope. As reported in IRG’s final narrative report, the ACEP projects involved solar home systems, street lights, and water pumps along with wind generation capacity building through power systems.

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 IRG’s Special Purpose Financial Statement for the ACEP project.

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 – Special Purpose Financial Statement

Express an opinion on whether the Special Purpose Financial Statement for the contract 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.

Audit Objective 2 – Internal Controls

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

Audit Objective 3 – Compliance

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

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Determine and report on whether IRG has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the Special Purpose Financial Statement.

Scope

The scope of the audit included the period September 8, 2009, through April 30, 2012, for the ACEP project. The audit was limited to those matters and procedures pertinent to the contract that could have a direct and material effect on the Special Purpose Financial Statement ("SPFS") and evaluation of the presentation, content, and underlying records of the SPFS. The audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS 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 Activities;
- Allowable Costs;
- Eligibility;
- Cash Management;
- Equipment and Real Property Management;
- Period of Availability of Federal Funds;
- Procurement;
- Reporting; and
- Special Tests and Provisions (Special reporting and Participation).

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, 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.

With regard to Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and the transactions were tested to determine if the transactions were recorded in accordance with the basis of accounting identified by IRG; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were charged to the appropriate budgetary accounts; and were adequately supported.

For purposes of meeting Audit Objective 2 regarding internal control, Crowe requested that the auditee provide copies of policies and procedures and verbally communicate those procedures that do not exist in written format to provide Crowe with an understanding of the system of internal control established by IRG. 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 3 requires that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the contract. Crowe identified – through review and evaluation of the contract task order executed by and between IRG and USAID, the Federal Acquisition Regulations (“FAR”), and applicable circulars issued by the United States Office of Management and Budget (“OMB”) – the criteria against which to test the SPFS and supporting financial records and documentation. Using sampling techniques, Crowe selected expenditures, vouchers submitted to USAID, procurements, cash disbursements, and project reports for audit. Supporting documentation was provided by the auditee and subsequently evaluated to assess IRG's compliance. Testing indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the negotiated indirect cost rate agreements (“NICRA”), associated restrictions and limitations established within the NICRA, and whether costs were treated consistently as direct or indirect charges.

To determine whether there were audit, monitoring, assessment, or other reports completed and that required corrective action as per Audit Objective 4, Crowe inquired of both IRG and USAID regarding the existence of such reports. No reports were identified and, therefore, no follow-up was necessary.

Due to the location and nature of the project work, certain audit procedures were performed in Afghanistan as deemed necessary.

Summary of Results

Crowe issued a disclaimer of opinion on the Special Purpose Financial Statement. The basis for Crowe's disclaimer of opinion appears within the *Independent Auditor's Report on the Special Purpose Financial Statement*.

Upon completion of Crowe's procedures, Crowe identified six findings because they met one or more of the following criteria: (1) significant deficiency in internal control, (2) material weakness in internal control, (3) deficiency that resulted in questioned costs, and/or (4) noncompliance with rules, laws, regulations, or the terms and conditions of the contract. Other matters that were identified during the course of the audit, but were not classified as findings, were communicated verbally to IRG.

Crowe also reported on both IRG's compliance with the applicable laws, rules, regulations, and the terms and conditions of the contract and the internal controls over compliance. Three material weaknesses in internal control, three 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 \$16,207,400 in costs was questioned as presented in **TABLE A**.

Crowe conducted searches of publicly available information to locate prior audits, reviews, and evaluations pertinent to IRG's financial performance under the contract. In addition, Crowe inquired of both USAID and IRG regarding whether or not such work had been performed. Based on the results of Crowe's searches and, per communications with IRG and USAID, there were no audits or other reviews or assessments conducted in relation to the ACEP program.

This summary is intended to present an overview of the results of procedures completed for the purposes described herein and is not intended to be a representation of the audit's results in their entirety.

TABLE A: Summary of Findings and Questioned Costs

Finding Number	Matter	Questioned Costs	Cumulative Questioned Costs
2014-01	Reporting	\$0	\$0
2014-02	Allowable Costs: Inadequate Supporting Documentation	\$212,324	\$212,324
2014-03	EPLS Searches	\$0	\$212,324
2014-04	Subcontractor Certification of Invoices	\$0	\$212,324
2014-05	Project Cost Tracking	\$15,891,671	\$16,103,995
2014-06	Inventory Tracking	\$103,405	\$16,207,400
Total Unique Questioned Costs			\$16,207,400

Summary of Management Comments

IRG management has provided a response to this report and is included at Appendix C. IRG responded in summary to the audit findings and stated they did not concur with the majority of questioned costs included in this report as they were still gathering documentation to support items that are included as questioned costs.

References to the Appendix

The auditor's reports are supplemented by three appendices. **Appendix A** includes a supporting schedule related to Finding 2014-05. **Appendix B** provides an excerpt from the IRG provided inventory listing in support of Finding 2014-06. **Appendix C** contains the Views of Responsible Officials, which are management's responses to the findings presented within the report.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To Mr. Mike Alber, Senior Vice President & Chief Financial Officer
Engility Corporation
3750 Centerview Drive
Chantilly, VA 20151

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

Report on the Special Purpose Financial Statement

We were engaged to audit the Special Purpose Financial Statement ("the Statement") of International Resource Group. ("IRG"), and related notes to the Statement, for the period September 8, 2009, through April 30, 2012, with respect to the "Afghan Clean Energy Program" ("ACEP") funded by contract task order EPP-I-11-03-00006-00.

Management's Responsibility for the Special Purpose Financial 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 ID05130083 ("the Contract"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a 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 Special Purpose Financial Statement based on conducting the 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient appropriate audit evidence to determine the location of completed projects funded with contract dollars and the associated costs incurred for each project. Therefore, we could not determine if the costs presented on the Statement were used to meet the project objectives, if the contract requirements were met, and the full extent of any associated errors. Based on the items above, we could not form an opinion on the Special Purpose Financial Statement.

(Continued)

Had IRG been able to provide supporting documentation regarding the location of project work funded by USAID and the associated costs incurred per project, a qualified opinion could have been issued due to a lack of supporting documentation for a material amount of transactions.

Disclaimer of Opinion on the Special Purpose Financial Statement

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Special Purpose Financial Statement.

Basis of Presentation

We draw attention to Note 1 to the Statement, which describes the basis of presentation. The schedule was prepared by IRG in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction in Appendix V of the Contract and presents those expenditures as permitted under the terms of contract number EPP-I-11-03-00006-00, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Contract referred to above.

Restriction on Use

This report is intended for the information of IRG, the United States Agency for International Development, 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 August 5, 2014, on our consideration of IRG's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering IRG's internal control over financial reporting and compliance.


Crowe Horwath LLP

August 5, 2014
Washington, D.C.

Afghan Clean Energy Project
Special Purpose Financial Statement
EPP-I-00-03-00006-00
For the Period September 08, 2009, through April 30, 2012

			Questioned Costs		
	Budget	Billed	Ineligible	Unsupported	Notes
Revenues					
USAID - EPP-I-00-03-0006-00	\$33,035,881	\$23,839,956			
Additional Revenue to recognized due to Mod 9		\$73,085			
Total Revenue	\$33,035,881	\$23,913,041			4
Costs Incurred					
IRG Employee Labor	\$2,407,451	\$1,930,045		\$ 2,635	A
Overhead	\$633,842	\$688,144			
Consultant Labor	\$804,569	\$103,575			
Travel and Per Diem	\$382,181	\$282,398			
Other Direct Costs	\$319,097	\$794,307		\$ 794,307	B
Overseas Allowances	\$1,545,416	\$1,179,959			
Non-expendable Property (\$500 and Up)	\$92,833	\$103,405		\$ 103,405	C
General & Administrative	\$4,087,919	\$1,777,544			
Subcontracts	\$10,223,191	\$6,814,109		\$ 6,814,109	A,B
Procurement	\$10,500,000	\$8,492,944		\$ 8,492,944	B
Subcontract Handling	\$408,928	\$607,852			
Unallowables	\$0				
Unbillable Non-Labor Costs	\$0				
	\$31,405,427	\$22,774,281			
Fixed Fee	\$1,630,454	\$1,181,936			
Excess of Costs unrecoverable due to Mod 9		(\$43,176)			6
Total	\$33,035,881	\$23,913,041		\$ 16,207,400	5
Balance		\$ -			

The accompanying notes to the Special Purpose Financial Statement are an integral part of this Statement.

International Resources Group (IRG)
Notes to the Special Purpose Financial Statement
For the Period September 8, 2009 through April 30, 2012

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Contract Number EPP-I-11-03-00006 for the Afghanistan Clear Energy Program ("ACEP") for the period September 8, 2009 through April 30, 2012. Because the Statement presents only a selected portion of the operations of the International Resources Group ("IRG"), it is not intended to and does not present the financial position, changes in net assets, or cash flows of IRG. 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 contract. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Basis of Accounting

Revenues and expenditures reported on the Statement are recorded on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Direct costs billed amounts are limited to actual expenditures; however, indirect costs billed amounts are limited to current NICRA rates.

Note 3. Foreign Currency Conversion Method

For purposes of preparing the Statement, conversions from local currency to United States dollars were converted on a daily basis as expenditures occurred based on the conversion rate for that day and recorded into the financial reporting system.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which IRG is entitled to receive from USAID for allowable, eligible costs incurred under the contract during the period of performance.

Note 5. Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final USAID-approved budget of \$33,035,881. On March 17, 2014 Modification 09 established a maximum federal obligation amount of \$23,913,041.36. This modification did not restate the original budget.

Note 6. Balance

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the contract and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made. On March 11, 2014, a signed Contractor's Release of Claims was incorporated into Modification 09 which reduced the original cost plus fixed fee amount by \$9,122,839.64 from \$33,035,881 to \$23,913,041.36. There is no outstanding balance.

Note 7. Currency

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

Note 8. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the period September 08, 2009, through April 30, 2012, period of performance. Management has performed their analysis through August 5, 2014.

Notes to the Questioned Costs Presented on the Special Purpose Financial Statement¹

Note A. Allowable Costs: Inadequate Supporting Documentation

Finding 2014-02 identified \$212,324 in questioned costs that resulted from a lack of supporting documentation for two transactions, including the lack of timesheets supporting employee wages (\$2,634 – IRG Employee Labor), and one subcontractor payment lacking supporting documentation for amount paid (\$209,690 – Subcontractors).

Note B. Allowable Costs: Inadequate Tracking Project Costs

Finding 2014-05 identified \$15,891,671 in questioned costs that resulted from IRG's not having supporting documentation for projects costs and locations of the project work such that the work performed could be not be validated.

Note C. Allowable Costs: Lack of Non-expendable Equipment Tracking

Finding 2014-06 identified \$103,405 in questioned costs that resulted from IRG's not providing adequate documentation to support the source, use and disposition of non-expendable property.

¹ Notes to the Questioned Costs Presented on the Special Purpose Financial 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 Mike Alber, Senior Vice President & Chief Financial Officer
Engility Corporation
3750 Centerview Drive
Chantilly, VA 20151

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

We were engaged to audit, 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 Special Purpose Financial Statement of International Resource Group. ("IRG"), and related notes to the Statement, for the period September 8, 2009, through April 30, 2012, with respect to the "Afghan Clean Energy Program" ("ACEP") funded by contract task order EPP-I-11-03-00006-00, and have issued our report thereon dated August 5, 2014, which we disclaimed an opinion.

Internal Control over Financial Reporting

IRG'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 task order; and transactions are recorded properly to permit the preparation of the Special Purpose Financial Statement in conformity with the basis of presentation described in Note 1 to the Special Purpose Financial 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 Special Purpose Financial Statement for the period September 08, 2009, through April 30, 2012, we considered IRG's internal controls to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of IRG's internal control. Accordingly, we do not express an opinion on the effectiveness of IRG's internal control.

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.

(Continued)

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 Special Purpose Financial Statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies noted in Findings 2014-01, 2014-05, and 2014-06 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 2014-02, 2014-03, and 2014-04 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

International Resource Group's Response to Findings

IRG's response was not subject to the auditing procedures applied in the audit of the special purpose financial statement and, accordingly, we express no opinion on it.

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 International Resources Group, the United States Agency for International Development, 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

August 5, 2014
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To Mike Alber, Senior Vice President & Chief Financial Officer
Engility Corporation
3750 Centerview Drive
Chantilly, VA 20151

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

We were engaged to audit, 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 Special Purpose Financial Statement of International Resource Group. ("IRG"), and related notes to the Statement, for the period September 08, 2009, through April 30, 2012, with respect to the Afghan Clean Energy Program ("ACEP") funded by contract task order EPP-I-11-03-00006-00. We have issued our report thereon dated August 5, 2014, within which we disclaimed an opinion.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the cooperative agreement is the responsibility of the management of IRG.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of 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 2014-01, 2014-02, 2014-03, 2014-05, and 2014-06 in the accompanying Schedule of Findings and Questioned Costs.

International Resources Group's Response to Findings

IRG's response was not subjected to the auditing procedures applied in the audit of the special purpose financial statement and, accordingly, we express no opinion on it.

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 compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of IRG, the United States Agency for International Development, 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 script is cursive and somewhat stylized, with the letters "C", "H", and "L" being particularly prominent.

Crowe Horwath LLP

August 5, 2014
Washington, D.C.

SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Finding 2014-01: Reporting

Material Weakness and Non-Compliance

Criteria: In accordance with the provisions of Sections F.3 (A) and F.4 (A) of the contract, IRG was required to provide various reports to USAID on a monthly, quarterly, or one time submission basis. These reports included construction reports, a monitoring and evaluation plan, a listing of targets and beneficiaries of the project, energy efficiency assessment report, energy strategy report, and a final project report.

Section 2.4.1 of the ACEP Performance Management Plan states that the Chief of Party is responsible for approving and submitting performance data to USAID/Afghanistan.

Condition: IRG did not provide requested reports or the reports provided did not contain proof of submission or approval by the Chief of Party.

- Two of eight monthly and quarterly reports selected for testing were not provided.
- Six monthly and quarterly reports provided, along with the Monitoring and Evaluation Plan, Listing of Targets and Beneficiaries, and the Final Report did not have documentation showing approval by management or submission dates.
- Monthly Construction Schedules were not provided.
- The Energy Efficiency Assessment was not provided
- The Strategy Report was not provided.
- Village monitoring reports were not provided.

Questioned costs: None.

Effect: Failure to develop and submit reports to USAID may have inhibited the Agency's ability to monitor the project to the extent desired. In the absence of report reviews and approvals, errors and omissions may be undetected and uncorrected.

Cause: IRG noted that the reports could not be located as indexes of archived documents, both electronic and paper were not sufficiently descriptive to allow for retrieval of information.

Recommendation: We recommend that IRG implement a policy whereby required reports, evidence of their having been reviewed by the Chief of Party, and documentation showing dates of submission to the funding agency are retained for the minimum number of years required by applicable Federal records retention regulations. We further recommend that IRG develop and implement procedures to ensure that reports are accurate and submitted timely.

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Finding 2014-02: Allowable Costs: Inadequate Supporting Documentation

Significant Deficiency and Non-Compliance

Criteria: FAR 31.201-2, states (d) A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements.

FAR 52.216-7 states that costs eligible for reimbursement include only “(i) Those recorded costs that, at the time of the request for reimbursement, the Contractor has paid by cash, check, or other form of actual payment for items or services purchased directly for the contract; (ii) When the Contractor is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for –

- (A) Supplies and services purchased directly for the contract and associated financing payments to subcontractors, provided payments determined due will be made (1) in accordance with the terms and conditions of a subcontract or invoice; and (2) Ordinarily within 30 days of the submission of the Contractor’s payment request to the Government.”

Condition: IRG did not provide adequate documentation to support the allowability of two transactions selected for testing. One payroll timesheet totaling \$2,634 was not provided for examination, and evidence of payment for a \$209,690 subcontractor charge was not produced. IRG was able to provide the coding cover sheet for each of these documents. However, supporting documentation was not present.

Questioned costs: \$212,324

Effect: The Government may have been charged for costs that were not incurred for the project or for which IRG did not render payment to a subcontractor thereby rendering the charges unallowable as the cost charged to the project were unsupported.

Cause: IRG noted that the coversheets were located in the archives. However, the supporting documentation was not attached. Individuals involved in the project were no longer with IRG and appropriate files were not maintained in order to document these costs.

Recommendation: We recommend that IRG 1) provide USAID with sufficient supporting documentation to demonstrate that the two referenced transactions were allowable or otherwise refund the Government \$212,324; and 2) implement a records retention policy that requires the retention of supporting documentation for financial transactions.

Finding 2014-03: Conduct of EPLS Searches

Significant Deficiency and Non-Compliance

Criteria: FAR 52.209-6 States “(a) The Government suspends or debar Contractors to protect the Government’s interests. The Contractor shall not enter into any subcontract in excess of \$30,000 with a Contractor that is debarred, suspended, or proposed for debarment unless there is a compelling reason to do so”.

Section IX of IRG's ACEP Procurement Plan states:

“Before an agreement is issued, a restricted party screening must be done. The United States and other regional, unilateral, and multilateral regulating organizations maintain lists of individuals and entities that are subject to denial orders or otherwise restricted or prohibited from engaging in business transactions with individuals or organizations in the United States. These entities are referred to as Denied, Debarred, and/or Restricted Parties (“Restricted Parties”), and checking your business transactions against these restricted party lists is called the Restricted Party Screening process. Examples of entities on these lists include, but are not limited to, known criminals, organizations that fund criminal activity, countries subject to embargoes, and/or parties guilty of trade violations.”

Condition: IRG could not provide documentation showing that searches of the Excluded Parties List System were performed prior to an agreement being executed for four of the fourteen vendors sampled. Accordingly, no costs are questioned because none of the vendors without documented searches were noted as being suspended, debarred, or otherwise excluded.

Questioned costs: None.

Effect: In the absence of EPLS searches having been completed, the likelihood that Federal funds could have been provided to suspended, debarred, or otherwise excluded parties increased.

Cause: This occurred because IRG’s policy does not require evidence of EPLS searches be retained.

Recommendation: IRG should modify its policy to require EPLS searches to be documented at the time the search is performed and evidence of the search results to be retained.

Finding 2014-04: Subcontractor Certification of Invoices

Significant Deficiency

Criteria: IRG included the following requirement within Section G. 6 of each subcontract:

9) A certification signed by an authorized representative of the subcontractor, as follows:

"The undersigned hereby certifies to the best of my knowledge and belief that the fiscal report and any attachments have been prepared from the books and records of (the subcontractor's name) in accordance with the terms of this subcontract and are correct; the sum claimed under this subcontract is proper and due, and all the costs of subcontract performance have been paid, or to the extent allowed under the applicable payment clause, will be paid currently by (the subcontractor's name) when due in the ordinary course of business; the work reflected by these costs have been performed, and the quantities and amounts involved are consistent with the requirements of this subcontract; all required IRG approvals have been obtained; and appropriate refund to IRG will be made promptly upon request in the event of disallowance of costs not reimbursable under the terms of this subcontract."

The IRG accounts payable process as documented by IRG and provided to Crowe, notes the Program Manager will review vendor invoices for compliance with vendor agreements.

Condition: Crowe noted that seven subcontractors' invoices reviewed as part of the expenditure testing did not contain the required subcontract language in each invoice. Some vendors included a similar version of the required certification language; however, others did not include any form of certification as to the invoice's accuracy, allowability, and other matters.

Questioned costs: None.

Effect: The likelihood that the subcontractors would include ineligible or unsupported charges or otherwise lack awareness of the invoicing requirements and restrictions was increased.

Cause: IRG was unaware that the invoices did not comply with the subcontract requirements and, as the project is completed, individuals associated with the invoicing process are no longer with the company to specify how the omission went undetected.

Recommendation: IRG should incorporate into a formal invoice review policy the requirement for a review specifically for the certification language required as part of the subcontractor agreements.

(Continued)

Finding 2014-05: Project Cost Tracking

Material Weakness and Non-Compliance

Criteria: The purpose of the contract task order, per Section B.1 of the task order, is “to design and installation of sustainable micro-hydro power (both new and rehabilitated), solar, wind and hybrid power systems; development of different mechanisms for achieving energy efficiency; promotion of enterprise development and financial services to support the facilities produced; and policy support, capacity building and public education and outreach of capacity in all aspects of the planned activities in Afghanistan. Specifically to develop, install and rehabilitate renewable energy systems in isolated areas; promote energy efficiency for the entire system, particularly for the larger systems and those that will eventually form the northeast grid; and provide policy support and capacity building.”

FAR 31.201-2, states that “A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements.”

Section F.4 (A) Task Order EPP-I-11-03-00006-00 states;

(2) Monthly Construction Schedule

The Contractor shall submit monthly construction schedules that include the percentage of completed budget expenditures by site. This report should be submitted in P3 or Microsoft Project.

(3) Construction Database

The Contractor shall develop a construction database that will track the following of each project: a general description of the system, completion date, cost, location (GPS coordinates), the numbers of homes and population being served, social impacts, revenue collection and usage agreements, and an operations, maintenance and cost recovery plan.

Condition: IRG could not provide the cost, GPS location, or complete budget expenditures by site as required by the contract. This lack of supporting documentation prevented the verification of completed project work. Therefore, one cannot conclude the costs charged to and reimbursed by the Government under the contract were allocable to the award, associated with a specified project objective, and supported by a work product. The associated project costs are in question.

During the course of the audit, IRG was able to furnish a document showing project identifiers, general locations and for some projects costs associated with the work performed. IRG also provided monitoring reports performed by a third party vendor contracted by USAID to monitor projects as they were completed. Crowe compared the document furnished by IRG to the monitoring reports. Although some projects were matched to monitoring reports, the progress reflected indicated that work performed was less than 100 percent complete, or a completion date was referenced along with a percent completion less than 100 percent. For example, the total project cost reflected in the IRG tracker is \$3,410,651. The amount associated with projects that were supported by monitoring reports was \$2,409,997. Due to the inconsistencies between the monitoring reports and the project tracker and the data omissions reflected in the tracker, the report was considered to be unreliable as audit evidence. The documentation along with indication of where Crowe was able to match projects to monitoring reports is shown at **Appendix A**.

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The total value of costs incurred for construction work performed on the project, per the Special Purpose Financial Statement, is \$16,101,361, calculated as shown in the table, below.

SPFS Cost Incurred Category	Amount
Other Direct Costs	\$794,307
Subcontracts	\$6,814,109
Procurement	\$8,492,945
Total	\$16,101,361

Of the \$16,101,361, \$15,891,671 is questioned due to an inability to verify that work funded by the contract was performed through review of the project tracker and confirmation through the third party monitoring reports.

Questioned Costs: \$15,891,671 (\$16,101,361 from table above less \$209,690 questioned as part of finding 2014-02)

Effect: The Government may have been charged and reimbursed costs that did not contribute to the ACEP contract's objectives and, therefore, did not produce a benefit to the Government.

Cause: IRG stated that they could not locate the records in the archives and individuals who had worked on the project responsible for assimilating this information were no longer with IRG.

Recommendation: IRG should establish support for the costs incurred and location by project as required by the contract. If the costs cannot be supported and the location of the completed project work cannot be provided, then IRG should remit to the Government the questioned cost amount of \$15,891,671.

(Continued)

Finding 2014-06: Inventory Tracking

Material Weakness and Non-Compliance

Criteria:

FAR 31.201-2, states (d) A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements.

Per section I.15 (5) of the Indefinite Quantity Contract under which the task order was issued requires the disposition of non-expendable property to be preapproved by the contracting officer.

IRG's Project procurement plan section XI, Project Property Guidelines, and states in part:

All non-expendable property and administrative property (even if it is under \$500) must be tracked using the inventory tracking lists. The tracking list should contain the following information.

Project name	IRG purchase order number	Item transfer information
Project number	Accounting voucher number	✓ Transferred to
Prime Contract number	Country of origin	✓ Transfer accepted by
Task order number	Source code	✓ Transfer date
Acquisition method	Vendor name	✓ Transfer note
Inventory number	Vendor contact name.	Disposal information
Item category	Vendor address	✓ Date disposed
Item subcategory	Vendor tel./fax/email	✓ Disposal approval
Make	Item status	✓ Disposal note
Model	Item condition	
Serial number	User location	

Item description	User name	
Purchase date	Loan information:	
Price in US\$	Loaned to	
Exchange rate	Loan returned	
Price in local currency	Return date	

Condition: IRG did not provide an inventory listing noting the above required information and thus we could not determine if the non-expendable property had been placed in service to the benefit of the program or had been disposed in accordance with the task order. IRG did provide disposition documents for items that were transferred to the local government, communities, or other projects. However, because no detailed inventory or other comprehensive listing of equipment and property funded with Federal funds existed, we could not determine if the items disposed of were purchased with ACEP funds. An excerpt from the inventory listing provided is at **Appendix B**.

(Continued)

Questioned Costs: \$ 103,405

Effect: The Government may have been charged for costs for which it did not receive benefit. Assets purchased by the Government may have been directed or received by unintended recipients in the absence of adequate tracking and monitoring procedures.

Cause: IRG stated that they could not locate the records in the archives and individuals who had worked on the project responsible for assimilating this information were no longer with IRG.

Recommendation: IRG should develop an inventory listing that includes the required data elements. IRG should also conduct a physical inspection and complete a reconciliation of the inspection results to the financial records to identify any items that were funded and that cannot be located. The results of the inspection and subsequent reconciliation should be provided to USAID. If this information cannot be developed, then IRG should remit the amount of \$103,405 to the Government and implement procedures that ensure assets procured for the contract are appropriately accounted for and documentation supporting costs claimed is retained.

APPENDIX A – Project Tracking Listing

Crowe tied to external monitoring reports	Sub-project Number	PNF Date	LOCATION				PROJECT DESCRIPTION	Completion Date	ACTUAL COST (to date paid)	COMP %
			Village	District	Province	Actual				
1.1 SOLAR HOUSEHOLD SYSTEMS										
X	1.1.2	23-Feb-10	Nadir Shah Kot	Nadir Shah Kot	Khost	Individual PV Home Systems	1-Oct-11	\$309,733	100%	
X	1.1.3	27-Sep-11	Nadir Shah Kot	Nadir Shah Kot	Khost	Individual PV Home Systems			20%	
1.2.1 SOLAR CLINICS										
X	1.2.1.1	1-Dec-09	RC East, Ghazni-Tormay	Tormay	Ghazni	PV clinic and PV Refrigerator	18-Oct-10	\$62,500	100%	
X	1.2.1.2	1-Dec-09	RC East, Ghazni-Ramak	Ramak	Ghazni	PV clinic and PV Refrigerator	18-Oct-10	\$62,500	100%	
X	1.2.1.3	5-Dec-10	Poli Sangi	Deh Sabz	Kabul	PV clinic and PV Refrigerator	27-Sep-11	\$830,000	95%	
X	1.2.1.6	5-Dec-10	Ghulam Ali	Baghram	Parwan	PV clinic and PV Refrigerator	29-Oct-11		100%	
	1.2.1.7	5-Dec-10	Jadid Emar	Kohi Safi	Parwan	PV clinic and PV Refrigerator	29-Oct-11		95%	
X	1.2.1.8	5-Dec-10	Center	Najrab	Kapisa	PV clinic and PV Refrigerator	10-Nov-11		95%	
X	1.2.1.9	5-Dec-10	Boolaghin	Koh Band	Kapisa	PV clinic and PV Refrigerator	29-Oct-11		100%	
	1.2.1.10	5-Dec-10	Douab	Roni Douab	Saman gan	PV clinic and PV Refrigerator	19-Nov-11		95%	
X	1.2.1.12	5-Dec-10	Sarang	Khulm	Balkh	PV clinic and PV Refrigerator	29-Oct-11		95%	
	1.2.1.13	5-Dec-10	Center	Zari	Balkh	PV clinic and PV Refrigerator	29-Oct-11		95%	
X	1.2.1.29	5-Dec-10	Pekan Dara	Sholgara	Balkh	PV clinic and PV Refrigerator	19-Nov-11		95%	
X	1.2.1.11	5-Dec-10	Aaqtepa	Chabolak	Balkh	PV clinic and PV Refrigerator	27-Oct-11		95%	
X	1.2.1.14	5-Dec-10	Center	Shahrak	Ghor	PV clinic and PV Refrigerator	19-Nov-11		95%	
X	1.2.1.15	5-Dec-10	Dwlana	Center	Ghor	PV clinic and PV Refrigerator	4-Dec-11		95%	
X	1.2.1.16	5-Dec-10	Bara Khana	Chagcharan	Ghor	PV clinic and PV Refrigerator	19-Nov-11		95%	
	1.2.1.17	5-Dec-10	Center	Farsi	Herat	PV clinic and PV Refrigerator			30%	
	1.2.1.18	5-Dec-10	Zeerkowah	Sheendand	Herat	PV clinic and PV Refrigerator			30%	

X	1.2.1.3 1	5-Dec-10	Center	Alishang	Laghman	PV clinic and PV Refrigerator	19-Oct-11	95%
X	1.2.1.3 2	5-Dec-10	Center	Ali Nigar	Laghman	PV clinic and PV Refrigerator	19-Oct-11	95%
X	1.2.1.4	5-Dec-10	Center	Hazrat Sultan	Saman gan	PV clinic and PV Refrigerator	29-Oct-11	95%
	1.2.1.2 6	5-Dec-10	Folad	Dar-e-Suf Paeen	Saman gan	PV clinic and PV Refrigerator		50%
	1.2.1.2 2	5-Dec-10	Hasti	Dar-e-Suf Bala	Saman gan	PV clinic and PV Refrigerator	29-Oct-11	95%
X	1.2.1.2 3	5-Dec-10	Center	Maiwand	Kandah ar	PV clinic and PV Refrigerator	4-Dec-11	95%
X	1.2.1.2 4	5-Dec-10	Center	Nawai Barikzai	Helmand	PV clinic and PV Refrigerator	3-Dec-11	95%
X	1.2.1.2 5	5-Dec-10	Center	Garmsir	Helmand	PV clinic and PV Refrigerator	3-Dec-11	95%
X	1.2.1.2 7	5-Dec-10	Tarang Jaldak	Shari Safa	Zabul	PV clinic and PV Refrigerator	27-Oct-11	95%
	1.2.1.2 8	5-Dec-10	Center	Shinkay	Zabul	PV clinic and PV Refrigerator		70%
X	1.2.1.3 0	5-Dec-10	Nawrak	Qalat	Zabul	PV clinic and PV Refrigerator	29-Oct-11	95%
X	1.2.1.5	5-Dec-10	Teer	Sang Charak	Sari Pul	PV clinic and PV Refrigerator	29-Oct-11	95%
X	1.2.1.2 0	5-Dec-10	Daroyan	Shah Wali Kot	Kandah ar	PV clinic and PV Refrigerator	19-Nov-11	95%
X	1.2.1.1 9	5-Dec-10	Center	Panjwai	Kandah ar	PV clinic and PV Refrigerator	19-Nov-11	95%
	1.2.1.2 1	5-Dec-10	Center	Arghistan	Kandah ar	PV clinic and PV Refrigerator	26-Nov-11	95%

1.2.2 Solar Streetlights, 735 Standalone Systems

	1.2.2.2	22-Dec-10	Hutal	Maiwand	Kandah ar	10 Solar Streetlights from the Kandahar re-distrib.	30-Mar-11	100%
X	1.2.2.3	28-Dec-10	KKC Bazaar	Zarghon Shahr	Paktika	22 Solar Streetlights New Purchase	30-Mar-11	100%
X	1.2.2.4	25-Dec-10	Langar	Argahndab	Kandah ar	64 Solar streetlights from the Kandahar redistri.	10-Apr-11	100%

	1.2.2.5	24-Jan-11	KWOJAMOLK	Argahndab	Kandahar	30 Solar streetlights from the Kandahar redistrib.	10-Apr-11		100%
X	1.2.2.6	7-Jan-10	District Center	Nowzad	Helmand	121 Solar Streetlights from Kandahar redistribution	17-Oct-11		100%
	1.2.2.7	16-Dec-10	Ezabad	Maiwand	Kandahar	10 Streetlights from the Kandahar redistribution	24-Mar-11		100%
X	1.2.2.8	12-Jan-11	District Center	Jani Khil	Paktika	22 Streetlights Kandahar Redistribution	18-Apr-11		100%
X	1.2.2.10	18-Dec-10	Shaikh Zayed University	Khost	Khost	78 Streetlights from the Kandahar redistribution	1-Apr-11		100%
	1.2.2.11	1-Jan-11	City	Tarin Kot	Urozgan	20 Streetlights from the Kandahar redistribution	1-Apr-11		100%
X	1.2.2.12	1-Feb-10	District Center	Panjwai	Kandahar	12 Solar Street Lights	12-Jan-11		100%
X	1.2.2.13	27-Jan-10	3 Schools	Khawa	Nouristan	8 Solar Street Lighting individual system	15-Oct-10		100%
	1.2.2.14	29-Jun-10	Koininak	Yakawlang	Bamyan	4 Solar Street Lighting individual system	15-Oct-10		100%
X	1.2.2.15	KURE Lab	KURE Lab	Kabul	Kabul	One Streetlight for KURE Laboratory	30-Nov-10		100%
X	1.2.2.16	15-Jan-11	City	Faizabad	Badakhshan	60 Streetlights from the Kandahar redistribution.	28-Mar-11		100%
	1.2.2.17	3-Mar-11	District Center	Sayed Abad	Wardak	26 Solar Streetlights from the Kandahar redistrib.	19-Mar-11		100%
	1.2.2.18	30-Dec-10	District Center	Shinkay	Zabul	28 Solar Streetlights .	15-Aug-11	\$61,195	100%
X	1.2.2.19	10-May-11	City	Chaghcharan	Ghor	124 Solar Streetlights	30-Aug-11	\$174,800	100%
X	1.2.2.20	15-Jan-11	Faizabad	Faizabad	Badakhshan	40 Solar Streetlights	20-Aug-11	\$87,400	100%
X	1.2.2.21	15-Jan-11	District Center	Kishim	Badakhshan	27 Solar Streetlights	23-Aug-11	\$58,995	100%
X	1.2.2.22	15-Jan-11	District Center	Baharak	Badakhshan	25 Solar Streetlights	22-Aug-11	\$54,625	100%

1.2.3 Solar Schools

X	1.2.3.1	29-Jun-10	Koikinak	Yakawlang	Bamyan	2 KW solar system, with battery	15-Oct-10	\$36,825	100%
X	1.2.3.2	29-Jun-10	Sharistan	Yakawlang	Bamyan	2 KW solar system, with battery	15-Oct-10	\$36,825	100%
X	1.2.3.3	27-Jan-10	Nangarish 3 Schools	Nangarsih	Nouristan	4 schools---Boy's High School, Boy's elem. school, girl's school and Lincoln learning center	15-Oct-10	\$235,333	100%

1.3 Solar Hot Water Systems

X	1.3.1	1-Dec-09	Tormay Clinic	Tormay	Ghazni	250 L Solar Hot Water system	18-Oct-10	incl in clinics	100%
X	1.3.2	1-Dec-09	Ramak Clinic	Ramak	Ghazni	250 L Solar Hot Water system	18-Oct-10	incl in clinics	100%
X	1.3.3	Not required	KURE Lab	Kabul University	Kabul	208 L Solar Hot Water system	18-Oct-10	incl in 1.8.1	100%
	1.3.4	5-Dec-10	Poli Sangi	Deh Sabz	Kabul	250 L Solar Hot Water system	27-Sep-11	\$830,000	95%
X	1.3.5	5-Dec-10	Ghulam Ali	Baghram	Parwan	250 L Solar Hot Water system	29-Oct-11		95%
	1.3.6	5-Dec-10	Jadid Emar	Kohi Safi	Parwan	250 L Solar Hot Water system	29-Oct-11		95%
X	1.3.7	5-Dec-10	Center	Najrab	Kapisa	250 L Solar Hot Water system	10-Nov-11		95%
X	1.3.8	5-Dec-10	Boolaghin	Koh Band	Kapisa	250 L Solar Hot Water system	29-Oct-11		95%
	1.3.9	5-Dec-10	Douab	Roni Douab	Saman gan	250 L Solar Hot Water system	19-Nov-11		95%
X	1.3.10	5-Dec-10	Sarang	Khulm	Balkh	250 L Solar Hot Water system	29-Oct-11		95%
	1.3.11	5-Dec-10	Center	Zari	Balkh	250 L Solar Hot Water system	29-Oct-11		95%
X	1.3.12	5-Dec-10	Pekan Dara	Sholgara	Balkh	250 L Solar Hot Water system	19-Nov-11		95%
X	1.3.13	5-Dec-10	Aaqtepa	Chabolak	Balkh	250 L Solar Hot Water system	27-Oct-11		95%
X	1.3.14	5-Dec-10	Center	Shahrak	Ghor	250 L Solar Hot Water system	19-Nov-11		95%
X	1.3.15	5-Dec-10	Dwlana	Center	Ghor	250 L Solar Hot Water system	4-Dec-11		95%
X	1.3.16	5-Dec-10	Bara Khana	Chagcharan	Ghor	250 L Solar Hot Water system	19-Nov-11		95%
	1.3.17	5-Dec-10	Center	Farsi	Herat	250 L Solar Hot Water system			30%
	1.3.18	5-Dec-10	Zeerkowah	Sheendand	Herat	250 L Solar Hot Water system			30%
X	1.3.19	5-Dec-10	Center	Alishang	Laghman	250 L Solar Hot Water system	19-Oct-11		95%
X	1.3.20	5-Dec-10	Center	Ali Nigar	Laghman	250 L Solar Hot Water system	19-Oct-11		95%

X	1.3.21	5-Dec-10	Center	Hazrat Sultan	Saman gan	250 L Solar Hot Water system	29-Oct-11		95%
	1.3.22	5-Dec-10	Folad	Dar-e-Suf Paeen	Saman gan	250 L Solar Hot Water system			50%
	1.3.23	5-Dec-10	Hasti	Dar-e-Suf Bala	Saman gan	250 L Solar Hot Water system	29-Oct-11		95%
X	1.3.24	5-Dec-10	Center	Maiwand	Kandah ar	250 L Solar Hot Water system	4-Dec-11		95%
X	1.3.25	5-Dec-10	Center	Nawai Barikzai	Helman d	250 L Solar Hot Water system	3-Dec-11		95%
X	1.3.26	5-Dec-10	Center	Garmsir	Helman d	250 L Solar Hot Water system	3-Dec-11		95%
X	1.3.27	5-Dec-10	Tarang Jaldak	Shari Safa	Zabul	250 L Solar Hot Water system	27-Oct-11		95%
	1.3.28	5-Dec-10	Center	Shinkay	Zabul	250 L Solar Hot Water system			70%
X	1.3.29	5-Dec-10	Nawrak	Qalat	Zabul	250 L Solar Hot Water system	29-Oct-11		95%
X	1.3.30	5-Dec-10	Teer	Sang Charak	Sari Pul	250 L Solar Hot Water system	29-Oct-11		95%
X	1.3.31	5-Dec-10	Daroyan	Shah Wali Kot	Kandah ar	250 L Solar Hot Water system	19-Nov-11		95%
X	1.3.32	5-Dec-10	Center	Panjwai	Kandah ar	250 L Solar Hot Water system	19-Nov-11		95%
	1.3.33	5-Dec-10	Center	Arghistan	Kandah ar	250 L Solar Hot Water system	26-Nov-11		95%

1.4 SOLAR LANTERNS DISTRIBUTED THROUGHOUT AFGHANISTAN

X	1.4.1	6-Jul-10	Various Nomadic Tribes	Wakhan	Badakh shan	QMC LED Solar Lanterns	21-Jun-11	\$52,746	100%
X	1.4.2	7-Jul-10	Band-e-Amir 14 Villages	Bamyan	Bamyan	QMC Solar Lanterns		\$52,746	75%
X		7-Jul-10	Band-e-Amir 14 Villages	Bamyan	Bamyan	TERI Solar Lanterns			
	1.4.3	28-Feb-11	Provincial Center10 villages	Bamyan	Bamyan Kandah ar	TERI Solar Lanterns		\$64,459	75%
	1.4.4	20-Apr-11	25 Villages	Daman		TERI Solar Lanterns		\$15,000	40%
	1.4.5	6-Jul-10	10 Villages	Matun	Khost	TERI Solar Langerns		\$30,000	40%
X	1.4.6	18-Jul-11	Kuchis	Wardak	Wardak	Solar Flashlights (Mini BOGO)	6-Aug-11	\$51,000	100%
X		18-Jul-11	Kuchis	Wardak	Wardak	Solar Flashlights (Big BOGO)	6-Aug-11	\$51,000	100%

1.5 Water Pumping, Solar or Wind

X	1.5.1	30-Sep-10	Albironi University	Kohistan	Kapisa	Solar Water Pump for irrigation of university Agriculture farm	30-May-11		100%
X	1.5.2	10-Jun-11	Shikhan Girl School	Mir Bacha Koht	Kabul	Solar Water Pump for Drinking	16-Jul-11		100%
X	1.5.3	12-Jul-11	Janat Gul Khan School-Kuchi	Bagrami	Kabul	Solar Water Pump for Drinking	30-Sep-11		100%

X	1.5.4	12-Jul-11	Kuchi School Dormitory	Bagrami	Kabul	Solar Water Pump for Drinking	30-Sep-11	100%
	1.5.5	Not required	KURE Lab	Kabul	Kabul	Solar Water Pumping system for KURE Lab	27-Oct-11	100%
X	1.5.6	1-May-11	Shego Shiekh Misree Refugee Camp	Surk Rod	Nangar har	SWP for drinking purpose	30-Sep-11	100%
X	1.5.7	1-May-11	Kan	Rodat	Nangar har	SWP for drinking purpose	20-Sep-11	100%
X	1.5.8	1-May-11	Mazina	Rodat	Nangar har	SWP for drinking purpose	26-Oct-11	100%
X	1.5.9	1-May-11	Hisar Shahi	Rodat	Nangar har	SWP for drinking purpose	20-Sep-11	100%
X	1.5.10	1-May-11	Rughano	Rodat	Nangar har	SWP for drinking purpose	20-Sep-11	100%
X	1.5.11	1-May-11	Baro	Rodat	Nangar har	SWP for drinking purpose	20-Sep-11	100%
X	1.5.12	1-May-11	Hisarak	Rodat	Nangar har	SWP for drinking purpose	20-Sep-11	100%
X	1.5.13		Malik Sultan Refugee Camp	Surkh Rod	Nangar har	Solar W.P for irrigation	2-Dec-11	100%
X	1.5.14		Sari Asyab	Bamyan	Bamyan	Solar W.P for irrigation		10%
X	1.5.15		Char Rige Payan	Ghoryan	Herat	Solar W.P for irrigation		10%
X	1.5.16		Qanat Khalil	Injil	Herat	Solar W.P for irrigation		10%
X	1.5.17		Bayan Bala	Bayan Bala	Parwan	Solar W.P for irrigation		20%
X	1.5.18		Shikh Ali	Shikh Ali	Parwan	Solar W.P for irrigation		20%
	1.5.19		Qalagai	Rodat	Nangar har	Solar W.P for irrigation		100%
X	1.5.20		Deshte Khalifa	Hisa1Kohistan	Kapisa	Solar W.P for irrigation		100%
X	1.5.21		Ulgato	Khulm	Balkh	Solar W.P for irrigation		10%
	1.5.22		Malik Najeebullah Refugee Camp	S.M.R.Comp	Nangar har	Solar W.P for irrigation	30-Nov-11	100%
X	1.5.23		Hisarak Kalay	Rodat	Nangar har	Solar W.P for irrigation	27-Nov-11	100%
X	1.5.24		Shah Burham Aga	Behsod	Nangar har	Solar W.P for irrigation	29-Nov-11	100%
	1.5.25		Khalid bin walid school	Sayed Abad	Wardak	Solar W.P for irrigation		10%
1.6 Wind Power								
X	1.6.1	No PNF required		Jabal Saraj	Parwan	1 Wind Monitoring Towers	29-Sep-11	100%
	1.6.2	No PNF required		Sorobi	Kabul	1 Wind Monitoring Towers	14-Dec-11	100%

1.6.3	No PNF required		Khulm	Balkh	1 Wind Monitoring Towers	27-Oct-11	100%
1.6.4	No PNF required	Pir Nakhshi	Khulm	Balkh	1 Wind Monitoring Towers	29-Nov-11	100%
1.6.5	No PNF required		Urdu Kahn Farm	Herat	1 Wind Monitoring Towers		40%
1.6.6	No PNF required		Herat	Herat	1 Wind Monitoring Towers		40%

1.7 MHP New and Rehabilitation

X	1.7.1	10-Nov-09	Topchi	Bamyan	Bamyan	New Hydro - w/\$3M trans		\$7,554	100%
X	1.7.3	19-Dec-09	Thawak	Unaba	Panjshir	50 KW, Rehab Renewable Energy Equipment In Kabul University faculty of Engineering	2-Nov-11	\$174,861	95%
X	1.8.1		KURE Lab	Kabul	Kabul		30-Apr-11	\$70,554	100%
Total number of projects listed			131	Total of all amounts shown as actual cost.				\$3,410,651	
Total number of project tied to monitoring reports			94	Total for projects matched with monitiring reports.				\$2,409,997	

APPENDIX B –Inventory Listing Excerpt

International Resources Group Inventory Master List

Tag#	Qty	Noun Nomenclature	Include?	Description	Model No.	Serial No.	Condition	Cost	Value	Location	Remarks	MRRD	MEW	KU	DABS	Perm Fixture	Local Proj
IRG00005	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Basement	Safe room(Office)					x	
IRG00006	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Basement	Storeroom / office					x	
IRG00013	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Ground Floor	Conference room(Office)					x	
IRG00014	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Ground Floor	Conference room(Office)					x	
IRG00023	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Ground Floor	Project Security Manager					x	
IRG00034	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Ground Floor	Operations room(Office)					x	
IRG00046	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		First Floor	Ramish Nepal (Office)					x	
IRG00050	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		First Floor	Robert Foster (Office)					x	
IRG00056	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		First Floor	COP (Office)					x	
IRG00059	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		First Floor	Engineer Fazli (Office)					x	
IRG00065	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Second Floor	Moh. Seyam (Office)					x	
IRG00087	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Second Floor	Steven R Eachus (Office)					x	
IRG00097	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Second Floor	Javeed (Office)					x	
IRG00119	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Second Floor	robert Kyle (Office)					x	
IRG00123	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Second Floor	Rober kyle					x	
IRG00138	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Third Floor	Local National (Office)					x	
IRG00142	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Third Floor	Micheal Staples(Office)					x	
IRG00146	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 Second Floor	Gum Room					x	
IRG00151	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 Second Floor	Empty/Spare Room 2					x	
IRG00154	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 Ground Floor	Robert kyle					x	
IRG00160	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 Ground Floor	Ram Gobinda Yadav					x	
IRG00167	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 Second Floor	Empty/Spare Room 7					x	
IRG00168	1	Air Conditioner 18000	Y	Model= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 Second Floor	Empty/Spare Room 7					x	
IRG00180	1	Air Conditioner 18000	Y	1800 Samsung	N/A	N/A	Operable	800		Villa 1 First Floor	Derrick					x	
IRG00185	1	Air Conditioner 18000	Y	1800 Samsung	N/A	N/A	Operable	800		Villa 1 First Floor	Ramesh					x	
IRG00187	1	Air Conditioner 18000	Y	1800 Samsung	N/A	N/A	Operable	800		Villa 1 First Floor	George Green					x	
IRG00193	1	Air Conditioner 18000	Y	Madel= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 First Floor	Steven R. Eachus					x	
IRG00195	1	Air Conditioner 18000	Y	Madel= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 First Floor	Steven R. Eachus					x	
IRG00196	1	Air Conditioner 18000	Y	Madel= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 First Floor	Empty/Spare					x	
IRG00200	1	Air Conditioner 18000	Y	Madel= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 Second Floor	Dish Tvs Room					x	
IRG00203	1	Air Conditioner 18000	Y	Madel= AQ18UUAN	N/A	N/A	Operable	600		Villa 1 Second Floor	Global new Person					x	
IRG00210	1	Air Conditioner 18000	Y	1800 Samsung	N/A	N/A	Operable	800		Villa 2 Ground Floor	TV Room					x	

Appendix C Views of Responsible Officials



Frank J. Beatty

Director, Regulatory Compliance
Engility Corporation
3750 Centerview Drive
Chantilly, VA 20151
Frank.Beatty@EngilityCorp.com
Phone: (703) 375-6520

August 14, 2014

Mr. Bert Nuehring, CPA
Partner
Crowe Horwath LLP
1325 G Street NW, Suite 500
Washington D.C. 20005-3136

Reference: Crowe Horwath LLP Audit Report, dated August 5, 2014

Subject: International Resource Group's (IRG) Contract Task Order – EPP-I-11-03-00006-00

Dear Mr. Nuehring:

Engility Corporation ("Engility") / International Resources Group ("IRG") has reviewed the results from the independent audit performed by Crowe Horwath LLP with regards Contract Task Order – EPP-I-11-03-00006-00. Engility does not concur with the majority of questioned costs totaling \$16,207,400.

The reason for the non-agreement is that due to the limited timeframe for conducting the audit, many overseas site records were not readily available for your review. However, we now have in our possession what appears to be the vast majority of what was needed to support the audit. We are unable to provide you with our summary documents and various reports at this time as we are still compiling, printing and assembling the large volumes of data. Since your report needs to be tendered to SIGAR, Engility will provide the documents directly to SIGAR and USAID no later than August 29, 2014.

Should you have any questions concerning these comments, please contact me at (703) 375-6520 or via email to frank.beatty@engilitycorp.com.

Very truly yours,

Frank J. Beatty
Director, Regulatory Compliance
Engility Corporation

Copies provided via email to:

Ousmane Faye, Supervisory Agreement Officer, USAID, (ofaye@state.gov)
Karen Fall, Controller, USAID, (kfall@state.gov)
George H. Buzby, Sr. Audit Manager, Financial Audits, SIGAR, george.h.buzby.civ@mail.mil

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.

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- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
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