

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 15-71 Financial Audit

Department of State's Integrated Victim
Assistance and Capacity-Building Program
in Afghanistan: Audit of Costs Incurred by
Clear Path International



JULY
2015

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On March 9, 2010, the U.S. Department of State awarded a \$3,000,000 grant to Clear Path International (CPI) to support the Integrated Victim Assistance & Capacity-Building Program in Afghanistan (IVA-CBP). The program's intent was to expand the size and scope of U.S. assistance to victims of explosive remnants of war, such as land mines and unexploded ordnance. After three additional grants, program funding increased to \$12,988,530, and the period of performance was extended to March 31, 2014.

SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe Horwath), reviewed \$12,988,530 in expenditures charged to the grants from March 9, 2010, through March 31, 2014. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in CPI's internal controls related to the grants; (2) identify and report on instances of material noncompliance with the terms of the grants and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether CPI has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of CPI'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, SIGAR 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.

July 2015

Department of State's Integrated Victim Assistance and Capacity Building Program in Afghanistan: Audit of Costs Incurred by Clear Path International

SIGAR 15-71-FA

WHAT THE AUDIT FOUND

Crowe Horwath LLP (Crowe Horwath) identified five material weaknesses in Clear Path International's (CPI) internal control, and five instances of noncompliance with the terms and conditions of the Integrated Victim Assistance & Capacity-Building Program in Afghanistan (IVA-CBP) grants. Specifically, Crowe Horwath could not determine if 11 invoices worth over \$4.8 million were incurred prior to reimbursement or if CPI's indirect costs were calculated properly. In addition, Crowe Horwath found that certain expenditure transactions did not have evidence of review, and supporting documentation could not be located. As a result, Crowe Horwath was unable to determine if these costs were allowable and allocable to the grants, thus generating significant compliance findings related to unsupported invoicing to the government. Crowe Horwath also noted many instances in which equipment was disposed of without Department of State (State) authorization. Crowe Horwath also found \$98,618 in questioned costs that resulted from a lack of supporting documentation for competitive bidding.

As a result of these internal controls deficiencies and instances of noncompliance, Crowe Horwath identified a total of \$5,390,804 in questioned costs, consisting entirely 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 grant, applicable laws, or regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Personnel	\$0	\$19,622	\$19,622
Fringe Benefits	\$0	\$10,636	\$10,636
Equipment	\$0	\$120,943	\$120,943
Contractual	\$0	\$98,618	\$98,618
Other	\$0	\$44,228	\$44,228
Indirect Charges	\$0	\$214,593	\$214,593
Cash Management	\$0	\$4,882,164	\$4,882,164
Totals	\$0	\$5,390,804	\$5,390,804

Crowe Horwath reviewed prior audit reports related to CPI's work on IVA-CBP and determined that there were no prior findings that required follow up during this audit.

Crowe Horwath issued a disclaimer of opinion on CPI's Special Purpose Financial Statement because CPI did not provide a signed management representation letter, which attests to the accuracy of a company's financial statements and must disclose any illegal act(s) that happen during the scope of the audit. The letter is a required component of management's responsibilities under government auditing standards. According to CPI's Chief Financial Officer, he was not an employee of CPI when the bulk of this project took place. Therefore, he was uncomfortable signing the management representation letter.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the State Grant Officer:

1. Determine the allowability of and recover, as appropriate, \$5,390,804 in questioned costs identified in the report.
2. Advise CPI to address the report's five internal control findings.
3. Advise CPI to address the report's five noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 13, 2015

The Honorable John F. Kerry
Secretary of State

The Honorable P. Michael McKinley
U.S. Ambassador to Afghanistan

We contracted with Crowe Horwath LLP (Crowe Horwath) to audit the costs incurred by Clear Path International (CPI) under a Department of State (State) grant agreement to support the Integrated Victim Assistance and Capacity-Building Program in Afghanistan.¹ Crowe Horwath's audit covered \$12,988,530 in expenditures charged to the grant agreement from March 9, 2010, through March 31, 2014. Our contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of audit, SIGAR recommends that the State Grant Officer.

- 1. Determine the allowability of and recover, as appropriate, \$5,390,804 in questioned costs identified in the report.**
- 2. Advise CPI to address the report's five internal control findings.**
- 3. Advise CPI to address the report's five noncompliance findings.**

The results of Crowe Horwath's audit are detailed in the attached report. Crowe Horwath issued a disclaimer of opinion on CPI's Special Purpose Financial Statement because CPI did not provide a signed management representation letter, which attests to the accuracy of a company's financial statements and disclose any illegal act(s) that happen during the scope of the audit. The letter is a required component of management's responsibilities under government auditing standards. According to CPI's Chief Financial Officer, he was not an employee of CPI when the bulk of this project took place. Therefore, he was uncomfortable signing the management representation letter.

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 CPI's Special Purpose Financial Statement. We also express no opinion on the effectiveness of CPI's internal control or compliance with grant agreement, 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 U.S. 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-057)

¹ State awarded grant numbers SPMWRA10GR010, SPMWRA11GR019, SPMWRA12GR1013, and SPMWRA13GR1019 to CPI to support the Integrated Victim Assistance and Capacity-Building Program in Afghanistan intended to expand the size and scope of U.S. assistance to victims of explosive remnants of war, such as land mines and unexploded ordnance.



Clear Path International
Special Purpose Financial Statement
Integrated Victim Assistance & Capacity-Building Program in Afghanistan
For the Period March 09, 2010 through March 31, 2014
(With Independent Auditor's Report Thereon)

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Transmittal Letter

June 18, 2015

To Drew House, Chief Financial Officer
Clear Path International
PO Box 11114
Bainbridge Island, WA 98110

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, VA 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 Clear Path International's ("CPI") grant with the United States Department of State ("DOS") funding the following grant agreements: SPMWRA10GR010, SPMWRA11GR019, SPMWRA12GR1013, and SPMWRA13GR1019.

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.

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

Thank you for providing us the opportunity to work with you and to conduct the financial audit of CPI's Integrated Victim Assistance & Capacity-Building Program in Afghanistan.

Sincerely,

A handwritten signature in black ink, appearing to read "Melinda DeCorte".

Melinda DeCorte, CPA, Partner
Crowe Horwath LLP



www.crowehorwath.com

Summary

Background

Clear Path International (“CPI”) entered into a grant with the Department of State (“DOS”), Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WAR) under the Integrated Victim Assistance & Capacity-Building Program in Afghanistan (IVA-CBP). Specifically, CPI was responsible for the project outcomes 1) protect victims of conflict and develop conditions that allow them to live and work safely, including services that emphasize assistance for women, children, and nomadic populations, 2) restore access to land and infrastructure to promote economic recovery and livelihoods, 3) develop host nation capacity and manage IVA in a safe, effective, and efficient manner, and 4) demonstrate support for allies and partners working to develop regional and local IVA solutions.

The original grant agreement– SPMWRA10GR010 – incorporated an initial ceiling price of \$3,000,000 and a period of performance beginning March 09, 2010 Through three additional grant agreements, the total project funding was increased to \$12,988,530 and the period of performance extended until March 31, 2014 Below is a table noting the various grants and ceiling amounts.

Grant Agreement	Ceiling Amount
SPMWRA10GR010	\$3,124,548
SPMWRA11GR019	\$3,998,530
SPMWRA12GR1013	\$3,000,000
SPMWRA13GR1019	\$3,000,000
Total	\$12,998,530

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 CPI’s IVA-CBP Special Purpose Financial Statement (“SPFS”) for the period March 09, 2010, through March 31, 2014.

Objectives Defined by SIGAR

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

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether CPI’s Special Purpose Financial Statement for the grant presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government and balance for the period audited in conformity with the terms of the grant agreement and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

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



Audit Objective 3 – Compliance

Perform tests to determine whether CPI complied, in all material respects, with the grant agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with the terms of the grant agreement 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 the CPI 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 (SPFS).

Scope

The scope of the audit included the period March 09, 2010, through March 31, 2014, for the IVA-CBP Program in Afghanistan. The audit was limited to those matters and procedures pertinent to the grant agreement that could have a direct and material effect on the 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;
- Cash Management;
- Equipment;
- Period of Availability of Federal Funds;
- Subrecipient Monitoring;
- Procurement; and
- Reporting.

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 CPI; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were charged to the appropriate 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 CPI. 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 grant. Crowe identified – through review and evaluation of the grant executed by and between CPI and DOS, the Code of Federal Regulations (“CFR”), 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 to determine compliance and to assess the allowability of costs. Using sampling techniques, Crowe reviewed expenditures, vouchers submitted to DOS, procurements, cash disbursements, and project reports for audit. Supporting documentation was requested from the auditee to access compliance. Testing indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the interim indirect cost rate associated restrictions and limitations and whether costs were treated consistently as direct or indirect charges.

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

Summary of Results

Upon completion of Crowe's procedures, Crowe identified five 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 grant.

Crowe also reported on both CPI's compliance with the applicable laws, rules, regulations, and the terms and conditions of the grant and the internal controls over compliance. Five material weakness in internal control and five instances of noncompliance were reported. Since the internal control and compliance findings pertained to similar matters, they were consolidated within a single finding. A total of \$5,390,804 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 CPI's financial performance under the grant. In addition, Crowe inquired of both DOS and CPI regarding whether or not such work had been performed. Based on the results of Crowe's searches and, per communications with CPI and DOS, there were no audits or other reviews or assessments conducted in relation to the Integrated Victim Assistance & Capacity-Building Program in Afghanistan that required follow up during this audit.

Crowe issued a disclaimer of opinion on the SPFS.

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
2015-01	Lack of support for invoices submitted for reimbursement	\$4,882,164	\$4,882,164
2015-02	Lack of supporting documentation for cost incurred	\$303,091	\$5,185,255
2015-03	Improper disposal of equipment	\$106,931	\$5,292,186
2015-04	Lack of competitive procedures	\$98,618	\$5,390,804
2015-05	Lack of internal controls		\$5,390,804
Total Unique Questioned Costs			\$5,390,804

Summary of Management Comments

CPI in its management response provided context surrounding the findings noted in this report. CPI partially disagrees with finding 2015-01 and agrees with all other findings noted in the report. In CPI's response to finding 2015-01, management notes that the practice followed by DOS of approval of invoices constitutes approval of the application of the NICRA amounts charged to the program. Crowe does not agree this comment as approval of an invoice does not constitute approval of the application of the NICRA to related costs.

References to the Appendix

Appendix A 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 Drew House, Chief Financial Officer
Clear Path International
PO Box 11114
Bainbridge Island, WA 98110

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

Report on the Special Purpose Financial Statement

We were engaged to audit the Special Purpose Financial Statement ("the Financial Statement") of Clear Path International, ("CPI"), and related notes to the Statement, for the period March 09, 2010, through March 31, 2014, with respect to the Integrated Victim Assistance & Capacity-Building Program in Afghanistan funded by the following grant agreements: SPMWRA10GR010, SPMWRA11GR019, SPMWRA12GR1013, and SPMWRA13GR1019.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Financial Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") in Appendix V of Solicitation ID11140014 ("the Grant"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Financial 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 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. 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

Management was unwilling to represent to certain matters that are required components of management's responsibilities under *Government Auditing Standards* and auditing standards generally accepted in the United States of America. In addition, there were significant compliance findings related to unsupported invoicing to the federal government. . Due to these matters, we were unable to form an opinion on the Special Purpose Financial Statement.

(Continued)

There were also certain matters noted with regard to non-compliance in the sale of equipment and procurement practices that would have resulted in a potential material misstatement of the Statement. Accordingly, a qualified opinion on the Statement would have been issued if a management representation letter had been obtained and the invoicing been supported.

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 Financial Statement was prepared by CPI, 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 grant agreement numbers SPMWRA10GR010, SPMWRA11GR019, SPMWRA12GR1013, and SPMWRA13GR1019 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 Grant referred to above.

Restriction on Use

This report is intended for the information of CPI, 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 March 30, 2015 on our consideration of CPI's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, grant agreements, 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 CPI's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

April 21, 2015
Washington, D.C.

Clear Path International
Special Purpose Financial Statement
Agreements: SPMWRA10GR010; SPMWRA11GR019; SPMWRA12GR1013; SPMWRA13GR1019
For the Period March 09, 2010 through March 31, 2014

	Budget	Actual	Questioned Costs		Notes
			Ineligible	Unsupported	
<i>Revenues</i>					
SPMWRA10GR010	\$ 3,000,000	\$ 3,096,658			
SPMWRA11GR019	3,998,530	3,715,344			
SPMWRA12GR1013	3,000,000	3,000,000			
SPMWRA13GR1019	3,000,000	2,122,739			
Total Revenue	\$ 12,998,530	\$ 11,934,741			4
<i>Costs Incurred</i>					
Personnel	\$2,627,759	\$2,412,716		\$19,622	B
Fringe Benefits	\$604,837	\$542,971		\$10,636	B
Travel	\$204,239	\$226,398			
Equipment	\$35,000	\$218,487		\$120,943	B,C
Supplies	\$130,022	\$0			
Contractual	\$2,221,893	\$5,001,117		\$98,618	D
Construction	\$0	\$0			
Other	\$4,936,315	\$1,515,832		\$44,228	B
Indirect Charges	\$2,238,465	\$2,085,778		\$214,593	B
Total Costs Incurred	\$12,998,530	\$12,003,299		\$5,390,804	A,B,C,D
Fund Balance	\$ -	\$ (68,558)			6

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

Clear Path International
Special Purpose Financial Statement
Agreements: SPMWRA10GR010; SPMWRA11GR019; SPMWRA12GR1013; SPMWRA13GR1019
For the Period March 09, 2010 through March 31, 2014

Notes**Note 1. Basis of Presentation**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Agreement Numbers SPMWRA10GR010, SPMWRA11GR019, SPMWRA12GR1013, and SPMWRA13GR1019 for the period March 09, 2010 through March 31, 2014. Because the Statement presents only a selected portion of the operations of the Clear Path International, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clear Path International. 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 awards. 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

Expenditures reported on the Statement are reported on a modified accrual basis and, therefore, are not reported on the standard accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122 wherein certain types of expenditures are not allowable or are limited as to reimbursement. Further, the period of review for certain awards, is shorter than the period of performance for those awards. No attempt has been made by the company to enhance or expand month-end close procedures to accommodate this interim cut-off.

Note 3. Foreign Currency Conversion Method

In some cases, for purposes of preparing the SPFS, conversion from local currency to US dollars was required. The functional currency of CPI's field office is a combination of USD and the local currency in which the office is located. Most business partners and employees accept USD along with the corresponding currency risk. Where necessary, expenses have been translated at average monthly exchange rates. The foreign currency translation gain or loss was considered immaterial for period of the SPFS.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which Clear Path International is entitled to receive from USDOS/PM/WRA for allowable, eligible costs incurred under the award 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, USDOS-approved budgets adopted as a component of the aforementioned agreements. It should be noted, that the USDOS-approved budgets contain inconsistent treatment of items contained within budget categories from agreement to agreement. The budget categories presented reflect groupings of like budgetary items between agreements. Actual expenditures match the budget approved categories for the relevant agreement/budget

Note 6. 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 revenues have been earned in excess of the costs incurred or charged to the award. An amount less than \$0 would indicate that costs have been incurred, but are pending either submission or additional evaluation for release. The review period reflects a balance owed by the cognizant agency to CPI for costs submitted or pending submission.

Note 7. Currency

All amounts presented are shown in US dollars.

Note 8. Subrecipients

Subrecipients	Totals
AABRAR	904,717
ADVS	134,734
ALSO	354,555
AOAD	156,000
AVDA-Afghan Volunteer Doctors' Assoc.	209,033
DAO	277,718
EMDAD	233,780
Empor Org	49,512
EO-Empor Org Tech Orthopedic Svc-Intl	165,717
IAM	55,000
KOO	84,000
PTI	102,331
ROAWV-Rehabilitee Org of Afghan War-Int'l	489,112
SAEDA	555,634
WOAP-Welfare Org for Afghan People-Int'l	55,000
Grand Total	3,826,843

Note 9. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the March 09, 2010 through March 31, 2014, period of performance. Management has performed its analysis through March 30, 2015.

Notes to the Questioned Costs Presented on the Special Purpose Financial Statement¹**Note A. Cash Management:**

Finding 2015-01 identified \$4,882,164 in questioned costs that resulted from a lack of supporting documentation for invoices submitted to DOS for reimbursement. Because no documentation was available to assign the unsupported costs by category the amount was taken against Total Costs Incurred on the statement.

Note B. Allowable Costs: Lack of Supporting Documentation

Finding 2015-02 identified \$303,091 in questioned costs that resulted from a lack of supporting documentation for the following expense types.

Expense Type	Questioned Cost
Fringe Expenses	\$10,636
Personnel	\$19,622
Indirect Costs	\$214,593
Office/Computer	\$14,012
Other	\$44,228
TOTAL	\$303,091

Note C. Allowable Costs: Equipment Management

Finding 2015-03 identified \$106,931 in questioned costs that resulted from a lack of authorization for the disposal of certain equipment items.

Note D. Lack of Competitive Procurement

Finding 2015-04 identified \$98,618 in questioned costs that resulted from a lack of supporting documentation for competitive bidding.

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 Drew House, Chief Financial Officer
Clear Path International
PO Box 11114
Bainbridge Island, WA 98110

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, VA 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 Clear Path International ("CPI"), and related notes to the Statement, for the period March 09, 2010, through March 31, 2014, for the Integrated Victim Assistance & Capacity-Building Program in Afghanistan funded by the following grant agreements: SPMWRA10GR010, SPMWRA11GR019, SPMWRA12GR1013, and SPMWRA13GR1019, and have issued our report thereon dated April 21, 2015, on which we have disclaimed an opinion.

Internal Control over Financial Reporting

CPI 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 agreement; 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 March 09, 2010, through March 31, 2014, we considered CPI'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 CPI's internal control. Accordingly, we do not express an opinion on the effectiveness of CPI'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 a material weaknesses.

(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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. (2015-01, 2015-02, 2015-03, 2015-04 and 2015-05).

CPI's Response to Findings

CPI'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 CPI, 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

Crowe Horwath LLP

April 21, 2015
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To Drew House, Chief Financial Officer
Clear Path International
PO Box 11114
Bainbridge Island, WA 98110

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, VA 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 Clear Path International ("CPI"), and related notes to the Statement, for the period For the Period March 09, 2010, through March 31, 2014, for the Integrated Victim Assistance & Capacity-Building Program in Afghanistan funded by the following grant agreements: SPMWRA10GR010, SPMWRA11GR019, SPMWRA12GR1013, and SPMWRA13GR1019, and have issued our report thereon dated April 21, 2015, on which we have disclaimed an opinion.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the grant is the responsibility of the management of CPI.

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 grants, 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 2015-01, 2015-02, 2015-03, 2015-04 and 2015-05 in the accompanying Schedule of Findings and Questioned Costs.

CPI's Response to Findings

CPI'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.

(Continued)

Restriction on Use

This report is intended for the information of CPI, 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

Crowe Horwath LLP

April 21, 2015
Washington, D.C.

SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS**Finding 2015-01: Direct and Indirect Costs**

Material Weakness and Non-Compliance

Criteria: CPI's Nonprofit Organization Indirect Cost Negotiation Agreement (NICRA) states the NICRA rates are to be applied to the total direct costs less capital expenditures and the excess of the first \$25,000.

Condition: Crowe requested eleven invoices produced by CPI requesting reimbursement from DOS. CPI was unable to provide any of the eleven invoices or the supporting documentation. Because these invoices were not provided, we could not determine if costs were incurred prior to reimbursement or if indirect costs were properly calculated, making the costs associated with these invoices unallowable.

Questioned costs: \$4,882,164

Note - the lack of supporting documentation for the invoices did not allow for the elimination of potential duplicative costs from finding 2015-4.

Effect: Costs may have been incurred that were either unallowable or did not comply with Federal Acquisition Regulations.

Cause: CPI did not have a policy requiring the retention of invoices or the supporting documentation related to the invoicing.

Recommendation: We recommend that CPI develop policies and procedures requiring the retention of invoices and supporting documentation to the federal government. In addition, we recommend that CPI locate the supporting documentation for the invoices noted above or remit \$4,882,164 to the federal government.

Finding 2015-02: Allowable Costs and Activities

Material Weakness and Non-Compliance

Criteria: OMB A-122 states in order for a cost to be allowable to a federal award the costs must meet the following criteria:

- (a) Be reasonable for the performance of the award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- (d) Be accorded consistent treatment.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP).
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- (g) Be adequately documented

22 CFR Part 145.21 (b) (7) Standards for financial management systems states that a recipients' financial management systems shall provide for accounting records that include cost accounting records supported by source documentation.

Condition: During our testing of expenditures we noted that 41 of 44 expenditure transactions tested did not include sufficient documentation to support the costs incurred and 43 of 44 transactions did not have evidence of review and approval by appropriate CPI personnel. Because of the lack of documentation supporting the expenditure transactions we were unable to determine if the costs were allowable and allocable to the grants. Below is a table noting the unsupported transactions by type.

Expense Type	Questioned Cost
Fringe Expenses	\$10,636
Personnel	\$19,622
Indirect Costs	\$214,593
Office/Computer	\$14,012
Other	\$44,228
TOTAL	\$303,091

Questioned costs: \$303,091

Effect: Costs may have been incurred that were either unallowable or that did not give the Government the best value for its dollar.

Cause: Supporting documentation for the transactions noted could not be located. CPI does not have a policy requiring the retention of supporting documentation for expenditure transactions.

Recommendation: We recommend that CPI develop policies and procedures requiring the retention of documentation supporting each expenditure and the related approval of those expenditures in accordance with federal regulations. In addition, we recommend CPI provide adequate supporting documentation to DOS or remit \$303,091 to the federal government.



Finding 2015-03: Equipment

Material Weakness and Non-Compliance

Criteria: 22 CFR Part 145.34 (f) (1) Equipment records shall be maintained accurately and shall include the following information.

- (1) A description of the equipment.
- (2) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
- (3) Source of the equipment, including the award number.
- (4) Whether title vests in the recipient or the Federal Government.
- (5) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
- (6) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
- (7) Location and condition of the equipment and the date the information was reported.
- (8) Unit acquisition cost.
- (9) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Department for its share.

22 CFR Part 145.34 (g) "When the recipient no longer needs the equipment, the equipment may be used for other activities in accordance with the following standards. For equipment with a current per unit fair market value of \$5,000 or more, the recipient may retain the equipment for other uses provided that compensation is made to the original agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the equipment. If the recipient has no need for the equipment, the recipient shall request disposition instructions from the Department. The Department shall issue instructions to the recipient no later than 120 calendar days after the recipient's request and the following procedures shall govern."

CPI Field Manual section 10.2. 3 states each authorization request for the acquisition of property and equipment in excess of \$5,000 will be reviewed and approved by CPI's Chief Financial Officer.

CPI Field Manual section 10.6 states with proper written authorization from the responsible manager, an asset disposal form will be prepared. An asset will be disposed of by trade-in on a similar asset, sale to a third-party, transfer to the host government, transfer to another service provider, treatment as scrap, etc., according to the regulations of the donor, if applicable.

Condition: When reviewing inventory records from CPI, we could not validate the completeness of the listing as accounting detail was not sufficient to provide a reconciliation to the inventory listing. This is addressed as part of finding 2015-05. We also noted the inventory listing did not contain all of the information required by 22 CFR Part 145.34 (f) (1). Examples of missing information included price, date placed in service, and location.

We selected five (5) equipment items with purchase prices of \$5,000 or greater from the inventory listing to test CPI CFO approval as required by CPI policy. Documentation of CFO approval could not be located and was not provided by CPI for these items.

CPI's inventory listing noted many instances in which equipment was disposed. We requested documentation related to the disposition including DOS approval, and documentation regarding where the items were disposed. CPI did not provide disposition authorization for 10 items with purchase prices greater than \$5,000.

Questioned costs: \$106,931

Effect: The Government may not have received value due to items being disposed of without authorization. In addition the lack of complete inventory records increases the risk of theft of items and the theft going undetected.

Cause: The CPI field manual does not contain policies and procedures that comply with 22 CFR Part 145.34 (f) (1) and 22 CFR Part 145.34 (g). In addition, CPI employees did not follow field manual policy.

Recommendation: We recommend that CPI either locate the disposition authorization documentation or remit \$106,931 to the federal government. In addition we recommend CPI update the field manual to include compliance with 22 CFR Part 145.34 (f) (1) and 22 CFR Part 145.34 (g) and provide training to field staff regarding CPI disposition policy.

Finding 2015-04: Procurement

Material Weakness and Non-Compliance

Criteria: 22 CFR Part 145.43 Competition states that all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

22 CFR Part 145.45 Cost and price analysis states that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

22 CFR Part 145.46 Procurement records - Procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) Basis for grantor selection; (b) Justification for lack of competition when competitive bids or offers are not obtained; and (c) Basis for award cost or price.

Condition: Crowe selected 30 items from the listing of expenditures in order to test CPI's compliance with the above noted procurement requirements. The sample was selected in this manner as a procurement population could not be produced. This issue is addressed in finding 2015-05.

CPI could not locate and did not provide supporting documentation for any activities during the granting process, including support for a competitive process, proof that Excluded Parties List System (EPLS) searches had been conducted, and certification from grantors that they are not suspended or debarred.

Questioned costs: \$98,618

Effect: The Government may not have received the best value for items and services purchased.

Cause: CPI does not have a procurement policy to require compliance with the requirements of free and open competition, and with the above noted criteria.

Recommendation: We recommend that CPI either locate the related procurement documentation evidencing compliance with the above noted requirements or remit \$98,618 to the federal government. In addition, we recommend that CPI develop and implement a procurement policy that ensures open and free competition in accordance with federal regulations.

Finding 2015-05: Lack of Internal Control

Material Weakness and Non-Compliance

Criteria: 22 CFR Part 145.21 Standards for financial management systems.

- (a) The Department shall require recipients to relate financial data to performance data and develop unit cost information whenever practical.
- (b) Recipients' financial management systems shall provide for the following.
 - (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in §145.52. If the Department requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for its reports on the basis of an analysis of the documentation on hand.
 - (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
 - (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
 - (4) Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.

22 CFR Part 145.53: Retention and access requirements for records.

(b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall 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.

Condition: During the audit CPI was unable to provide detailed data supporting the activities under the grants. We noted the following instances for which documentation was unable to be provided.

1. Invoices submitted to the DOS for reimbursement and the related supporting detail as noted in finding 2015-01;
2. Detailed transaction support for costs incurred as noted in finding 2015-02;
3. Transaction descriptions and coding detail to reconcile the inventory listings as noted in finding 2015-03; and
4. Documentation supporting procurement activities as noted in finding 2015- 04.

In addition, CPI was unable to provide a procurement population because it did not have a mechanism to account for procurements. CPI was also unable to produce any of the four quarterly reports required to be submitted under the grant terms, supporting documentation, and proof of submission to the government that was requested as part of the audit.

Questioned costs: \$0

Effect: Failure to develop and maintain an adequate financial management system does not provide effective control and accountability over U.S. government funds and equipment and reasonable assurance of compliance with federal regulations and requirements.

Cause: CPI has not developed and implemented policies and procedures governing the financial management system including internal controls and reporting.

Recommendation: We recommend that CPI develop comprehensive policies and procedures for implementing a financial management system in compliance with federal regulations and requirements, including the criteria noted above.

SECTION 2: Schedule of Prior Audit, Review, and Assessment Findings

Crowe reviewed CPI's OMB Circular A-133 audit reports, which included SPMWRA10GR010, SPMWRA11GR019, SPMWRA12GR1013, and SPMWRA13GR1019 within their scope. No findings were noted that require follow up during our audit. Per discussion with CPI and DOS, there were no other audits, assessments, reviews, or reports pertaining to the grants under audit.

APPENDIX A – Views of Responsible Parties.

The following pages are management's responses to the findings.

Clear Path International
Response to Crowe Horwath SIGAR Findings
Updated: June 3, 2015

Management Response – General

Over the course of its history, CPI has grown from a small single program entity, to a multi-program NGO operating in several different countries and geographic regions. During this growth period, CPI employed part-time, nonprofessional and volunteer staff, along with its professional managers, who didn't fully appreciate the significantly increased administrative burden of a multi-program funded entity adhering to federal regulations. In 2013, all NGO's operating in Afghanistan were designated as "high risk" based only on the operating environment, a fact which only increased this burden.

CPI staff turnover and hiring errors during this period compounded the training and oversight difficulties of a relatively small administrative and finance staff. This was evidenced by inadequate, incomplete and often un-locatable supporting documents as well as a robust but partially implemented system of online document storage and retrieval.

The current board and management staff of CPI were not part of the company during the review period of this audit and consequently could make no representation to Crowe Horwath regarding the condition of the financial records other than what was produced for the audit. Further, current management could not provide a historical perspective of the records or evidence of undocumented process or procedure which may have mitigated some of the findings included in this document.

Management Response to finding 2015-1: Direct and Indirect Costs

First, CPI has had general policies in place to cover the adequacy and retention of documents since its inception. However, the impact of these policies varied over the review period based on staff, training and oversight related issues. It should be noted that CPI's "Field Manual" provided robust policy guidance for remote field offices including Afghanistan, the subject of this review. Further, internal documentation review demonstrated adequate training and oversight of Afghan field office staff in observing these policies. The conditions described were largely related to Headquarters (HQ) operations and included an inability to locate adequate support documentation. Current assessment is that this resulted from a number of staff and training circumstance including.

- Considerable turnover in the accounting and finance staff
- Inadequate understanding of government accounting standards
- Inadequate understanding of necessary support documentation
- Consistency in adherence to documented policies
- Inadequate grant-based management accounting system
- Unverifiable evidence of management review

While provided documentation may not consistently rise to the required standard, there is considerable evidence of backup documents generated with the aforementioned draws and no specific evidence of charging unallowable costs to projects. Moreover, the funder reviewed and accepted submitted draw support request documentation as adequate to support the release of funding.

Second, the statement regarding CPI's NICRA is not an accurate representation of practice by the DOS. While it accurately represents the general rule, CPI's primary funder, the DOS has authorized IDC on all payments to international partners (subawardees) consistent with the high level of training and support necessary to work with these partners in the delivery of their services.

Policies identified in the CPI "Field Office Manual" are adequate to adhere to Government Accounting Standards if consistently applied and understood. CPI will however, need to create internal procedures necessary to prepare and adequately retain consistent transaction approval and supporting documents.

CPI lacks operational funding necessary to upgrade its policies, procedures and accounting system and consequently can't specify a timeframe for corrective action and improvement. However, these steps will be undertaken in accepting future sponsored programs.

Management Response to finding 2015-2: Allowable Costs and Activities

Of the expenditures note, most were supported by invoices many of which were approved through the check signing process subsequently mentioned. The stated "condition" above identifies sufficiency of documentation which often resulted from missing corroboration or unsubstantiated approval.

CPI's administrative and finance staff have historically been a small group. Consequently, the review and approval process for submitted payable vouchers (invoices) at HQ took place during the check signing process. In this process, documents attached to checks for payment were reviewed and approved as they were manually signed. The signature of the check indicated its acceptance as well as approval of the expenditure as charged. While this process doesn't lend to easy substantiation, it does identify an approval process and the segregation of internal controls necessary for approval by appropriate CPI personnel consistent with policy and Government Accounting Standards.

Further, in the active conflict setting of Afghanistan, record retention, long-term storage and subsequent production are difficult and expensive. This led to limited but repeated difficulties in locating and producing requested backup documents going back to the inception of the Afghan program in 2010.

Policies identified in the CPI "Field Office Manual" are adequate to comply with Government Accounting Standards if consistently applied and understood. CPI however recognizes the need to create internal procedures necessary to prepare and adequately retain consistent supporting documents including its future production.

CPI lacks operational funding necessary to upgrade its policies, procedures and accounting system and consequently can't specify a timeframe for corrective action and improvement. However, these steps will be undertaken in accepting future sponsored programs.

Management Response to finding 2015-3: Equipment

CPI maintained a complete Fixed Asset listings for items in excess of \$5,000 based on a spreadsheet format provided by DOS and which included much of the necessary tracking items required under 22 CFR Part 145.34 (f) (1). The asset tracking “inventory” spreadsheet maintained by CPI in Afghanistan and reviewed by Crowe Horwath, did not include or was there any attempt to ascertain the fair market value of individual assets at or near disposition. Federal regulations regarding disposition approval assumes the fair market value of an individual asset exceeds \$5,000 at time of disposition. Consequently inclusion or exclusion from this list was based entirely on purchase price which may have failed to accurately represent the need for disposition approval. Further, CPI reviewed historic communications between CPI and DOS that in some cases provided disposition instructions and in others failed to provide either a timely response or guidance regarding disposition of these assets.

Also, CPI could not provide evidence of CFO approval for acquisitions in excess of \$5,000 as required in its internal policy. However, internal company interviews with then current staff, indicate that approval took place through a series of methods which included Skype conversations, overall budget approval and email authorization.

CPI recognizes that the DOS “equipment inventory” spreadsheet needs enhancement to included addition asset information as well as to track CFO approval. This also requires procedures necessary to prepare and adequately retain supporting documents including disposition approval.

CPI lacks operational funding necessary to upgrade its policies, procedures and accounting system and consequently can’t specify a timeframe for corrective action and improvement. However, these steps will be undertaken in accepting future sponsored programs.

Management Response to finding 2015-4: Procurement

CPI has identified internal evidence of a procurement procedure and process active in the Afghan program which included the search for debarment and suspension of subawardee (vendors). This included training and documents supporting RFQ, requisitions, approval and other related procurement documents. Internal staff interviews indicated that in many cases CPI engaged sole sourced vendor relationships in Afghanistan based on the uniqueness of services provided as well as the provision of such services in an active war zone. We were however unable to produce documentation supporting this sole source vendor selection other than vendor qualifications background sheets and contracts.

Policies, training and forms appear adequate to comply with Federal Acquisition Standards if consistently applied, documented and understood. CPI however recognizes the need to document and adequately retain consistent supporting documents including sole source justification.

CPI lacks operational funding necessary to upgrade its policies, procedures and accounting system and consequently can’t specify a timeframe for corrective action and improvement. However, these steps will be undertaken in accepting future sponsored programs.

Management Response to finding 2015-5: Lack of Internal Control

CPI's quick growth, from a relatively small awardee in 2009, resulted in system and staff insufficiencies that failed to fully address its program and geographical expansion. This was exasperated by several complete Afghan program staff turnovers in 2010 and 2013 as well as HQ finance staff turnover as previously mentioned. While attempts were made to expand its financial systems and policies, management and staff failed to fully understand many of the unique requirements. And while policies, in many cases, robustly addressed federal compliance issues, CPI often lacked the procedures or consistent process to routinely produce a complete record without the benefit of those who originally prepared and or archived the supporting records. These problems are not unique to CPI and in particular have plagued many of the US government contractors as well as NGO's operating in Afghanistan's still an active conflict zone.

Many of the policies identified and published by CPI are adequate to comply with Government Accounting Standards if consistently applied and understood. CPI however recognizes the need to create consistent and repeatable internal control procedures necessary to prepare and adequately retain consistent supporting documents including its future production. These procedures should include a clear process and system for retention, subsequent production and clear tracking to the company financial records well as a system independent of the management and staff.

CPI lacks operational funding necessary to upgrade its policies, procedures and accounting system and consequently can't specify a timeframe for corrective action and improvement. However, these steps will be undertaken in accepting future sponsored programs.

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

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- Phone DSN International: 312-664-0378
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