

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 20-14 Financial Audit**

## USAID's Assistance to the Legislative Bodies of Afghanistan Project: Audit of Costs Incurred by DAI Global LLC

**In accordance with legal requirements, SIGAR has redacted certain information deemed  
proprietary or otherwise sensitive from this report.**



DECEMBER  
2019

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On March 28, 2013, the U.S. Agency for International Development (USAID) awarded a \$2.7 million cost-plus-fixed-fee task order to Development Alternatives Inc. to support the Assistance to Legislative Bodies of Afghanistan project. The project's goals were to strengthen the legislative process in the Afghan Parliament, improve Parliament's ability to conduct oversight of the Executive Branch, increase public outreach, and boost institutional development by creating commissions to review and conduct policy oversight. After 15 modifications, the task order's total funding increased to \$24.9 million, and the period of performance was extended from March 28, 2017, through March 27, 2018. In January 2016, Development Alternatives Inc. was renamed DAI Global LLC (DAI).

SIGAR's financial audit, performed by Williams Adley & Company-DC LLP (Williams Adley), reviewed \$10,959,292 in costs charged to the task order from January 1, 2016, through March 27, 2018. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in DAI's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether DAI has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of DAI's Special Purpose Financial Statement (SPFS). See Williams Adley's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the audit work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Williams Adley did not comply, in all material respects, with U.S. generally accepted government auditing standards.

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December 2019

## USAID's Assistance to the Legislative Bodies of Afghanistan Project: Audit of Costs Incurred by DAI Global, LLC

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### SIGAR 20-14-FA

#### WHAT THE AUDIT FOUND

Williams Adley did not identify any material weaknesses or significant deficiencies in DAI's internal controls or any instances of noncompliance with the terms of the task order. Accordingly, Williams Adley did not identify any questioned costs.

Williams Adley identified three prior audit reports that were relevant to DAI's activities. The reports had 18 findings, 9 of which could have a material effect on the SPFS and other financial data significant to the audit objectives. Williams Adley conducted follow-up procedures and concluded that DAI had taken adequate corrective action on the nine findings.

Williams Adley issued an unmodified opinion on DAI's SPFS, noting that it presents fairly, in all material respects, revenues received, and costs incurred for the period indicated.

#### WHAT SIGAR RECOMMENDS

Williams Adley did not report any findings related to the Assistance to Legislative Bodies of Afghanistan project. Therefore, SIGAR is not making any recommendations.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

December 17, 2019

The Honorable Mark Green  
Administrator, U.S. Agency for International Development

Mr. Peter Natiello  
USAID Mission Director for Afghanistan

We contracted with Williams Adley & Company–DC LLP (Williams Adley) to audit the costs incurred by Development Alternatives Inc. (now known as DAI Global LLC or “DAI”) under a task order from the U.S. Agency for International Development (USAID) to support to the Assistance to Legislative Bodies of Afghanistan project.<sup>1</sup> The project’s goals were to strengthen the legislative process in the Afghan Parliament, improve Parliament’s ability to conduct oversight of the Executive Branch, increase public outreach, and boost institutional development by creating commissions to review and conduct policy oversight. Williams Adley reviewed \$10,959,292 in costs charged to the task order from January 1, 2016, through March 27, 2018. Our contract with Williams Adley required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Williams Adley did not report any findings related to the Assistance to Legislative Bodies of Afghanistan project. Therefore, SIGAR is not making any recommendations.

The results of Williams Adley’s audit are discussed in detail in the attached report. We reviewed Williams Adley’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 DAI’s Special Purpose Financial Statement. We also express no opinion on the effectiveness of DAI’s internal control or compliance with the task order, laws, and regulations. Williams Adley is responsible for the attached auditor’s report and the conclusions expressed in it. However, our review disclosed no instances in which Williams Adley did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-144)

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<sup>1</sup> The task order number is AID-306-TO-13-00004.

**OFFICE OF THE  
SPECIAL INSPECTOR GENERAL FOR  
AFGHANISTAN RECONSTRUCTION**

Audit F-144

**Financial Audit of Costs Incurred**

by

**DAI Global, LLC**

Under

Task Order Number AID-306-TO-13-00004

For the Period

**January 1, 2016 through March 27, 2018**

Submitted by



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## Transmittal Letter

September 6, 2019

President and Chief Executive Officer and Board of Managers  
DAI Global, LLC (DAI)  
7600 Wisconsin Avenue, Suite 200  
Bethesda, MD 20614

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

We hereby provide to you our final report, which reflects results from the procedures we completed during our audit of the DAI Global, LLC (DAI) task order number AID-306-TO-13-00004 to support the United States Agency for International Development (USAID) funded project under the Assistance to Legislative Bodies of Afghanistan (ALBA) program.

Within the pages that follow, we provide a summary of the work performed. Following the summary, we provide our Report on the Special Purpose Financial Statement, Report on Internal Control, and Report on Compliance. We do not express an opinion on the summary, Report on Internal Control or Report on Compliance.

When preparing our reports, we considered comments, feedback and interpretations provided by DAI and SIGAR, in writing and orally, throughout the audit. DAI's responses to the audit reports and our corresponding auditor analysis are incorporated herein following our audit reports.

Thank you for providing us the opportunity to work with you and to conduct the audit of this DAI contract task order.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jocelyn Hill'.

Jocelyn Hill, CPA  
Partner

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WILLIAMS, ADLEY & COMPANY-DC, LLP

*Certified Public Accountants / Management Consultants*

1030 15<sup>th</sup> Street, N.W., Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161

[www.williamsadley.com](http://www.williamsadley.com)

## Summary

### Background

On March 28, 2013, the United States Agency for International Development (USAID) awarded a \$2.7 million cost plus fixed-fee task order number AID-306-TO-13-00004 to Development Alternatives Inc. (DAI)<sup>1</sup> to support the Assistance to Legislative Bodies of Afghanistan (ALBA) project. ALBA was the successor to a long-term programmatic effort to strengthen Afghanistan's legislative sector, the Afghanistan Parliamentary Assistance Program (APAP), funded by USAID from 2004 until August 2012. ALBA assisted in the continued development of the Afghanistan Parliament as a strong, effective, and independent parliamentary institution. The ALBA goals were: (1) strengthen the legislative process within both houses of Parliament; (2) improve the capacity of Parliament to provide effective oversight of the executive; (3) increase the outreach work of Parliament; and (4) increase institutional development of Parliament with a major focus on commissions.

ALBA's strategies include, but are not limited to, assisting the Parliament, commissions, and the General Secretariats in developing a sustainable system on which they can rely for effectively drafting, amending, and analyzing legislation; developing effective communications processes on legislative matters; increasing the quality and frequency of oversight actions on specific policy issues and on the performance of specific ministries; and ensuring public input to the oversight process.

After 15 modifications to the task order, the period of performance was extended from March 28, 2017 through March 27, 2018 and increased the total funding to \$24.9 million. Our audit procedures covered \$10,959,292 in total expenditures for the period from January 1, 2016 through March 27, 2018.

Table 1: DAI Contract Task Order with Modifications

Task Order Activity	Date	Purpose
Initial Award	3/28/2013	Award for 48-month base period and 12-month option period
Modification 1	9/30/2013	To designate COR and revise requirements for development documents
Modification 2	11/23/2013	Revise COR

<sup>1</sup> Development Alternatives Inc. was converted to a limited liability company in January 2016 and renamed DAI Global, LLC.

Task Order Activity	Date	Purpose
Modification 3	2/24/2014	Incremental funding
Modification 4	5/4/2014	Re-align project budget
Modification 5	5/14/2014	Incremental funding
Modification 6	6/26/2014	Modified COR and added whistleblower clause to task order
Modification 7	11/13/2014	Incorporate implementing partner notice clause to task order
Modification 8	11/13/2014	Incorporated provision for submission of datasets to development library
Modification 9	1/8/2015	Incremental funding
Modification 10	3/26/2015	Increase cost estimate for task order and re-align budget
Modification 11	11/24/2015	Incremental funding
Modification 12	6/26/2016	Incremental funding and change estimated total cost to \$24,990,827
Modification 13	1/11/2017	Exercise option period to end 3/27/2018, update COR
Modification 14	1/25/2017	Incremental funding to fully fund task order
Modification 15	3/27/2018	Re-align program budget

## Work Performed

The Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) contracted Williams, Adley & Company-DC, LLP (Williams Adley) to audit revenues, costs incurred, items directly procured by the United States Government and the balances for the period audited under USAID task order number AID-306-TO-13-00004 and associated modifications awarded to DAI for the period from January 1, 2016 through March 27, 2018.

## Objectives

The following are the objectives of the audit defined by SIGAR:

### Audit Objective 1 - Special Purpose Financial Statement (SPFS)

Express an opinion on whether the Special Purpose Financial Statement for the DAI award 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 award and generally accepted accounting principles or other comprehensive basis of accounting.

### Audit Objective 2 - Internal Controls

Evaluate and obtain a sufficient understanding of DAI's internal controls related to the

award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

### **Audit Objective 3 – Compliance**

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

### **Audit Objective 4 - Corrective Action on Prior Findings and Recommendations**

Determine and report on whether DAI has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

## **Scope**

The audit scope included the USAID task order AID-306-TO-13-00004 and related modifications executed for revenues applied to and costs incurred during the period between January 1, 2016 and March 27, 2018 as reported on the SPFS. The audit was limited to those matters pertinent to the task order that have a direct and material effect on the SPFS and included an evaluation of the presentation, content and records supporting the SPFS. The following areas were included within the audit program for detailed evaluation:

- i. Administrative Procedures and Fraud Risk Assessment
- ii. Budget Management
- iii. Cash Management
- iv. Disbursement and Financial Reporting
- v. Procurement and Inventory Management

Our audit was conducted to form an opinion on the SPFS in accordance with the Statement presentation requirements in Note 2. Therefore:

- The Transmittal Letter to SIGAR and the information presented in the Table of Contents and Summary are presented for informational and organizational content purposes and are not required parts of the SPFS. Such information has not been subject to the auditing procedures applied in the audit of the SPFS, and accordingly, we do not express an opinion or provide any assurance on it.
- The scope of our audit does not include procedures to verify the efficacy of the USAID funded program, and accordingly, we do not express an opinion or provide any assurance on it.

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## Methodology

We conducted our audit in accordance with generally accepted auditing standards, and generally accepted government auditing standards as published in the Government Accountability Office's *Government Auditing Standards*. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the Statement of the costs incurred under the award are free of material misstatement. An audit includes:

- Obtaining an understanding of DAI's internal controls related to the award, assessing control risk, and determining the extent of audit testing needed based on the control risk assessment.
- Examining, on a test basis, evidence supporting the amounts and disclosures presented in the Statement.

To meet the audit objectives, we prepared an audit plan for the engagement.

For audit objective 1, we reviewed transactions for the period from January 1, 2016 to March 27, 2018 and subsequent events and information that may have a significant impact on the SPFS for the audit period. We used both statistical and judgmental sampling techniques to select direct labor, subcontractor agreement/consultant costs, travel, and other direct cost samples to test for allowability of incurred costs, and reviewed procurement records to determine cost reasonableness. The scope of our audit reflects our assessment of control risk and includes tests of incurred costs to provide a reasonable basis for our opinion.

For audit objective 2, we reviewed applicable background materials, including cooperative agreements, contracts, auditee financial progress reports, USAID regulations, SIGAR's Afghanistan alert letters, audit reports and special program reports, and auditee single audits, performance audits and/or financial statement audits as made available and provided. We conducted our review to gain a thorough understanding of the control environment. We interviewed management and reviewed business processes to determine if critical internal controls were in place that mirrored best practices such as sufficient management oversight of business processes, proper segregation of duties, documented policies and procedures, robust financial management systems, and sufficient monitoring of controls to ensure effective implementation thereof. We assessed the control risk for sampling and testing purposes.

For audit objective 3, we performed compliance testing including, but not limited to: determination of allowable costs under Federal Acquisition Regulation (FAR) and USAID Acquisition Regulations (AIDAR) cost principles; validation of indirect cost calculations pursuant to a provisional or final negotiated indirect cost rate agreement; testing cash management for funding to ensure it does not exceed the program's immediate cash needs requirements and confirm excess cash has been returned to the US Government; verify incurred cost eligibility; confirm equipment and real property management and disposal in accordance with an approved disposition plan; ensure expenditures comply

with the period of availability of the Federal funds; ensure that procurement activities comply with full and open competition standards or provide justification for noncompetitive bids when applicable, and that suspension and debarment of the subcontractor or subrecipient was considered in the award decision; program income is reported and accounted for separately from donor funds; and financial reporting is accurate, timely and complete. In addition, we performed testing to assess and determine any potential fraud, abuse and illegal acts.

For audit objective 4, if prior audits indicated a need for corrective action to be taken by DAI, we ensured through inquiry, observation and testing whether the necessary steps were taken to adequately address those findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives.

## Summary of Results

We issued an unmodified opinion on DAI's Special Purpose Financial Statement.

There are two categories of questioned costs—ineligible and unsupported. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the audited collaboration agreement or applicable laws and regulations, or not award related. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. We did not identify and report any ineligible or unsupported questioned costs under this audit.

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered DAI's internal control over financial reporting and performed tests of those controls. We also performed tests of DAI's compliance with certain provisions of the agreement and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed no internal control findings and no instances of noncompliance related to this audit required to be reported under *Government Auditing Standards*. Please see Independent Auditor's Report on Internal Control on page 12 and Independent Auditor's Report on Compliance on page 14.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Evidence of such items was not identified during our testing.

## Status of Prior Audit Findings

We requested prior audit reports, reviews and assessments pertaining to DAI's activities under the task order. We identified three prior audit reports that contained 18 findings issued by SIGAR and USAID Office of Inspector General (OIG) as follows.

- Audit Report: SIGAR 18-61-Financial Audit, "USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc." for the period July 15, 2010 through February 25, 2015 issued on July 18, 2018.
- Audit Report: SIGAR 19-41-Financial Audit, "USAID's Regional Agricultural Development Program in Northern Afghanistan: Audit of Costs Incurred by DAI Global LLC" for the period January 1, 2016 through December 31, 2017, issued on June 10, 2019.
- Audit Report: USAID Office of Inspector General (OIG) close out audit report of costs incurred by DAI in Afghanistan under contract and cooperative agreement numbers 306-TO-13-00004, 306-C-14-00002, 306-A-00-09-00508, 306-C-14-00016, and 306-C-12-00003. The audit report, which covered the period between December 1, 2014 and December 31, 2015, was issued on September 26, 2017 for the ALBA project, RADP, Incentives for Driving Economic Alternatives for the North, East and West project, Strong Hubs for Afghan Hope and Resilience project and Stabilization in Key Areas North project.

The reports had nine findings that may have a material effect on the Special Purpose Financial Statement or other financial data significant to the audit objectives. We performed follow up procedures and discussions with management, reviewed policies, procedures and conducted testing of similar issues during our current audit. Accordingly, we determined that DAI had taken adequate corrective actions on the nine findings and we did not observe evidence of those findings during this audit. Based on our review, we determined that none of the prior audit findings had a material effect on the Statement or other financial data significant to the audit objectives.

Please see **Status of Prior Audit Report Findings and Recommendations** for additional details regarding these prior audit issues and status.

## Summary of Management Comments

We did not identify any findings and questioned costs under this audit. Therefore, no response is needed from DAI.



## **Independent Auditor's Report on the Special Purpose Financial Statement**

President and Chief Executive Officer and Board of Managers  
DAI Global, LLC  
7600 Wisconsin Avenue, Suite 200  
Bethesda, MD 20814

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

We have audited the Special Purpose Financial Statement ("the Statement") of DAI Global, LLC (DAI) and the related notes to the Statement, with respect to United States Agency for International Development (USAID) task order number AID-306-TO-13-00004 for the period January 1, 2016 through March 27, 2018.

### ***Management's Responsibility for the Special Purpose Financial Statement***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this Statement based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

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

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

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

### ***Opinion***

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues earned, costs incurred, and reimbursed, and balances for the indicated period in accordance with the terms of the task order and in conformity with the basis of accounting described below.

### ***Basis of Accounting***

We draw your attention to Note 2 to the Statement, which describes the basis of accounting. As described in Note 2 to the Statement, the Statement is prepared by DAI on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 6, 2019, on our consideration of DAI's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

### ***Restriction on Use***

Our report is intended solely for the information and use of DAI, USAID, and SIGAR, and is not intended to be and should not be used by anyone other than these specified parties. 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.

*Williams Adley & Company DC, LLP*  
Washington, D.C.  
June 6, 2019

DAI Global, LLC  
**Special Purpose Financial Statement**  
 January 1, 2016 to March 27, 2018

	Budget	Actual	Questioned Costs		Notes <sup>2</sup>
			Ineligible	Unsupported	
<u>Revenues</u>					
Reimbursement					
Award Fee					
Total Revenue					5
<u>Costs Incurred</u>					
Salaries and Wages	4,933,390	2,509,043			
Fringe Benefits	606,259	257,392			
Travel, Transportation and Per	962,228	418,979			
Allowances	962,724	418,163			
Other Direct Costs	8,071,676	3,271,751			
Subcontractors	171,996				
Security	2,335,157	870,794			
Total Direct Costs	\$ 18,043,430	\$ 7,746,122			
<u>Indirect Costs</u>					
Overhead					
G&A					
Total Indirect Costs					
Total Fixed Fee Charge					
Total Cost Plus Fixed Fee					6
Outstanding Balance	\$ 0	\$ 0			7

<sup>2</sup> The Notes to the Special Purpose Financial Statement are an integral part of the Statement

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DAI Global, LLC  
**Notes to the Special Purpose Financial Statement<sup>3</sup>**  
For the Period January 1, 2016 to March 27, 2018

**Note 1. Basis of Presentation**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under USAID's Assistance to Legislative Bodies of Afghanistan (ALBA) project funded through contract number AID-306-TO-13-00004 for the period January 1, 2016, to March 27, 2018. Because the Statement presents only a selected portion of the operations of DAI Global, LLC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of DAI Global, LLC. 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 contract listed above. 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 transacted in the Project's Afghanistan office are reported on the Statement using the cash basis of accounting. Expenditures paid through DAI's Home Office are reporting using the accrual basis of accounting. All expenditures are recognized following the cost principles contained in DAI Global, LLC's Cost Accounting Standards Disclosure Statement and the requirements of the commercial entity cost principles appearing in Title 48, Part 31 of the United States Code of Federal Regulations wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Organizational History**

DAI Global, LLC is a global development company with operations around the world. The Company, formerly known as "Development Alternatives, Inc.," was originally incorporated on May 6, 1970 and was converted into a limited liability company on January 15, 2016 under the laws of the state of Delaware. The business and affairs of the Company are managed by its Board of Managers.

**Note 4. Foreign Currency Conversion Method**

For purposes of preparing the Statement, conversions from local currency to United States dollars were prepared in accordance with DAI Global, LLC's exchange rate policy. To record financial transactions, DAI Global, LLC uses the exchange rate of the authorized bank or financial institution effecting the conversion of U.S. dollars to local

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<sup>3</sup> The Notes to the Special Purpose Financial Statement are the responsibility of DAI's management.

currency for in-country purchases. This foreign currency exchange rate remains in effect until another currency conversion is required.

**Note 5. Revenues**

Revenues are recorded on the same basis of accounting as presented in Note 2.

**Note 6. Costs Incurred by Budget Category**

The budget categories presented, and associated amounts reflect the budget line items presented within the final, USAID-approved budgets adopted as a component of contract task order number AID-306-TO-13-00004. The budget covers the entire program performance period of March 28, 2013 through March 27, 2018. Actual expenditures match the approved budget categories for the contract for the period between January 1, 2016 and March 27, 2018.

**Note 7. Balance**

The balance presented on the Statement represents the difference between the revenues earned under the contract and the actual costs incurred plus fixed fee amount. An amount greater than zero would reflect that revenues have been earned that exceed the costs incurred or charged to the contract and an amount less than zero 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.

**Note 8. Currency**

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

**Note 9. Program Status**

The Assistance to Legislative Bodies of Afghanistan (ALBA) project has ended and remains inactive. The period of performance for the contract concluded on March 27, 2018. Accordingly, adjustments to amounts currently reported on the Statement may be made as a result of final negotiated indirect cost rate agreements.



### **Independent Auditor's Report on Internal Control**

President and Chief Executive Officer and Board of Managers  
DAI Global, LLC  
7600 Wisconsin Avenue, Suite 200  
Bethesda, MD 20814

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

We have audited the Special Purpose Financial Statement ("Statement") and related notes to the Statement, 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, by DAI Global LLC (DAI), under United States Agency for International Development (USAID) task order number AID-306-TO-13-00004 for the period January 1, 2016 through March 27, 2018. We have issued our report thereon dated June 6, 2019 with an unmodified opinion.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the Statement, we considered DAI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of DAI's internal control. Accordingly, we do not express an opinion on the effectiveness of DAI's internal control.

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 DAI's Statement 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these

limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***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 DAI's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DAI's internal control. Accordingly, this communication is not suitable for any other purpose.

***Restriction on Use***

This report is intended for the information of DAI, USAID, and 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.

*Williams, Adley & Company-DC, LLP*  
Washington, D.C.  
June 6, 2019



### **Independent Auditor's Report on Compliance**

President and Chief Executive Officer and Board of Managers  
DAI Global, LLC  
7600 Wisconsin Avenue, Suite 200  
Bethesda, MD 20814

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

We have audited the Special Purpose Financial Statement ("Statement") and related notes to the Statement, 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, by DAI Global LLC (DAI), under United States Agency for International Development (USAID) task order number AID-306-TO-13-00004 for the period January 1, 2016 through March 27, 2018. We have issued our report thereon dated June 6, 2019 with an unmodified opinion.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether DAI's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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. As we performed our testing, we considered whether the information obtained during our testing indicated the possibility of fraud or abuse. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### ***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 DAI's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DAI's compliance. Accordingly, this communication is not suitable for any other purpose.

***Restriction on Use***

This report is intended for the information of DAI, USAID, and 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.

*Williams, Adley & Company - DC, LLP*  
Washington, D.C.  
June 6, 2019

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### Status of Prior Audit Report Findings and Recommendations

We requested prior audit reports, reviews and assessment pertinent to DAI's activities under the task order. We identified three audit reports that contained 18 findings, of which nine findings may have a material effect on the Special Purpose Financial Statement or other financial information significant to the audit objectives.

1. USAID OIG Report 3-306-17-035-R "Financial Closeout Audit Report for Contracts No. 306-TO-13-00004, No. 306-A-0009-00508, No. 306-C-14-00002, No. 306-C-14-00016 & No. 306-C-12-00003" issued on September 26, 2017.
2. SIGAR 18-61 Financial Audit "USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc." issued on July 18, 2018.
3. SIGAR 19-41 Financial Audit, "USAID's Regional Agricultural Development Program (RADP) in Northern Afghanistan: Audit of Costs Incurred by DAI Global LLC" issued on June 10, 2019.

We conducted follow-up procedures including discussions with management, reviewed evidence of corrective actions, and performed testing of similar matters during our current audit. Accordingly, we concluded that DAI had taken adequate corrective actions on the nine findings and none of the findings had a material effect on the SPFS or other financial information significant to the audit objectives.

**Report:** USAID OIG Audit Report 3-306-17-035-R, Closeout and Financial Audits of Schedule of Costs Incurred in Afghanistan by Development Alternatives Inc. (DAI) for Contract number 306-TO-13-00004 for the period December 1, 2014 to December 31, 2015; Contract number 306-A-00-09-00508 for the period December 1, 2014 to September 30, 2015; Contract number 306-C-14-00002 for the period December 1, 2014 to December 31, 2015; Contract number 306-C-14-00016 for the period December 1, 2014 TO December 31, 2015; and Contract number 306-C-12-00003 for the period December 1, 2014 TO May 31, 2015.

**Issue:** Finding 5.1 – For the ALBA project, there were instances where no documentation supporting the trip was provided, which resulted in \$30,233 in questioned cost.

**Status:** The transactions in question were reviewed and DAI asserted that in each instance travel took place as planned. Recognizing the absence of some boarding passes, DAI provided lodging bills as ancillary documents and confirmed that the dates on the bills are consistent with the travel dates. USAID made a final determination and requested reimbursement of \$1,263.67 in questioned travel costs, for which we verified that DAI made the reimbursement. We tested travel costs for adequate supporting documentation for the period we audited without exception. We determined that the conditions, which existed in the prior audit report, were not repeated.

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**Report: SIGAR 18-61-Financial Audit, USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc. Under Task Order number EDH-I-14-05-00004 for the period from July 15, 2010 through February 25, 2015.**

**Issue:** *Finding number 2018-01 – Missing or insufficient source documentation to support incurred field office labor expenses (Deficiency).* The external auditors determined that DAI did not maintain documentation to support field office employees' hours and rates charged to the project. As a result, the external auditors questioned the unsupported amount of \$4,331 of which \$2,602 were in direct costs and \$1,829 in indirect costs.

**Status:** We followed up on the status of the questioned cost and determined that USAID considered this issue resolved and eliminated the questioned cost. We reviewed payroll procedures and tested labor costs for proper support. We determined that the conditions, which existed in the prior audit report, were not repeated.

**Issue:** *Finding number 2018-02 – Missing or Insufficient Source Documentation to Support Incurred Equipment and Supply Expenses (Deficiency).* The external auditors determined that DAI did not maintain supporting documentation for three supply related disbursements. As a result, they questioned the unsupported amount of \$7,169 of which \$6,571 were in direct costs and \$598 in indirect costs.

**Status:** We followed up on the status of this finding and determined that it was resolved. We also performed substantive testing of support for non-payroll related charges without exception. We determined that the conditions, which existed in the prior audit report, were not repeated.

**Issue:** *Finding number 2018-03 – Lack of Evidence of Competitive Bidding (Non-Compliance).* The external auditors determined that the total cost of \$9,774, of which \$8,959 were in direct costs plus \$815 in allocated indirect costs, were questioned as ineligible as DAI could not provide documentation to support that the equipment and supplies purchased were acquired throughout the required procurement process. DAI could not provide bidding documents, costs analysis or sole source justification.

**Status:** We followed up on the questioned costs and determined that USAID resolved the issue. We also performed substantive testing of contracts under the current award for compliance with competitive or noncompetitive documentation support requirements and did not find this issue repeated.

**Report: SIGAR 19-41-Financial Audit USAID's Regional Agricultural Development Program in Northern Afghanistan: Audit of Costs Incurred by DAI Global LLC Under Contract number AID-306-C-14-00002 for the period January 1, 2016 through December 31, 2017**

**Issue:** *Finding number 2018-01 – Noncompliance with the NICRA G&A Base of Application.* DAI assessed its general and administrative rate against pass through other

direct costs, which is inconsistent with Negotiated Indirect Cost Rate Agreement (NICRA) provisions and resulted in \$543,104 in questioned cost.

**Status:** According to DAI, USAID has requested DAI write up and submit an action plan to address the recommendations and submit to the Contracting Officer by no later than July 10. USAID has yet not ruled on corrective actions it will accept regarding this finding. We tested NICRA calculations for this award and did not find that this issue was repeated.

**Issue:** *Finding number 2018-02 – Failure to Obtain USAID Approval Prior to Executing Grants Under Contract.* The external auditor identified 11 of 42 grants it tested did not have evidence of USAID's prior written approval as required by DAI's contract, which resulted in \$31,469 in questioned cost.

**Status:** According to DAI, USAID has requested DAI write up and submit an action plan to address the recommendations and submit to the Contracting Officer by no later than July 10. USAID has yet not ruled on corrective actions it will accept regarding this finding. We reviewed contracts for all required approvals as part of our audit and did not find that this issue was repeated.

**Issue:** *Finding number 2018-03 – Uncertified and Improperly Formatted Annual Inventory of Government Property.* The external auditor determined that the annual inventory was not in the format required by AIDAR 752.245-70 and excluded required information.

**Status:** According to DAI, USAID has requested DAI write up and submit an action plan to address the recommendations and submit to the Contracting Officer by no later than July 10. USAID has yet not ruled on corrective actions it will accept regarding this finding. For the current audit, we confirmed USAID approval of DAI's disposition plan and USAID's receipt of equipment from DAI as part of the contract close out.

**Issue:** *Finding number 2018-06 – Material Misstatements and Omissions of Required Components in the Special Purpose Financial Statement.* The external auditor noted that DAI failed to include the revenue and balance accounts required by SIGAR.

**Status:** According to DAI, USAID has requested DAI write up and submit an action plan to address the recommendations and submit to the Contracting Officer by no later than July 10. USAID has yet not ruled on corrective actions it will accept regarding this finding. We reviewed all components of the Special Purpose Financial Statement (SPFS) prepared for this audit. We specifically tested revenues reported on the SPFS with the amount reported on the general ledger DAI provided without exception. We determined that the conditions, which existed in the prior audit report, were not repeated.

**Issue:** *Finding number 2018-07 – Evidence of Grantee Monitoring Not Provided.* The external auditor identified 3 of 42 grants reviewed wherein DAI did not follow its grant-monitoring procedures.

**Status:** According to DAI, USAID has requested DAI write up and submit an action plan to address the recommendations and submit to the Contracting Officer by no later than July 10. USAID has yet not ruled on corrective actions it will accept regarding this finding. For our audit, there were 6 identified subcontracts. Monitoring of subcontracts is substantially different than for grants and we did not find evidence that this issue was repeated.

## 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 Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## Public Affairs

Public Affairs Officer

- Phone: 703-545-5974
- Email: [sigar.pentagon.ccr.mbx.public-affairs@mail.mil](mailto:sigar.pentagon.ccr.mbx.public-affairs@mail.mil)
- Mail: SIGAR Public Affairs  
2530 Crystal Drive  
Arlington, VA 22202