

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 21-35 Financial Audit

USAID's Conflict Mitigation Assistance for Civilians Program in Afghanistan: Audit of Costs Incurred by Blumont Global Development Inc.

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



JUNE
2021

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On March 12, 2018, the U.S. Agency for International Development (USAID) awarded a cooperative agreement to Blumont Global Development Inc. (Blumont) to support the Conflict Mitigation Assistance for Civilians program in Afghanistan. The program provides assistance to support Afghan families suffering from military operations, to conduct advocacy and outreach, and for other related activities. The initial obligated amount was \$8.5 million, but after four modifications, the total obligation increased to \$26,375,000. The period of performance for the award was unchanged by the modifications; it is ongoing and spans from March 12, 2018, through March 11, 2023.

SIGAR's financial audit, performed by Crowe LLP (Crowe) reviewed \$9,120,738 in costs charged to the agreement from January 1, 2019, through December 31, 2019. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Blumont'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 Blumont has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Blumont's Special Purpose Financial Statement (SPFS). See Crowe'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 work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Crowe did not comply, in all material respects, with U.S. generally accepted government auditing standards.

June 2021

USAID's Conflict Mitigation Assistance for Civilians Program in Afghanistan:
Audit of Costs Incurred by Blumont Global Development Inc.

SIGAR 21-35-FA

WHAT SIGAR FOUND

Crowe identified five material weaknesses and one significant deficiency in Blumont's internal controls, as well as two instances of noncompliance with the terms of the agreement. For example, the auditors found that Blumont recorded \$265,856 in costs incurred in the incorrect accounting period that resulted in a material misstatement in the SPFS. The auditors concluded that this was a reporting error and was not considered an ineligible amount or a questioned cost.

In another instance, the auditors performed analysis of Blumont's property records and found that Blumont did not include acquisition costs for 613 items in its inventory. The auditors did not report this as questioned costs because the missing items were transferred from a previous project and were not purchased with the award funds. In addition, the auditors found that Blumont's procurement policy did not specify a method to ensure that micro-purchases are equitably distributed and did not exceed the thresholds.

Crowe did not identify any questioned costs, which would have consisted of ineligible costs—costs prohibited by the agreement, applicable laws, or regulations—and unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Crowe identified eight prior audit reports that were relevant to Blumont's agreement. The reports did not have any findings that could have a material effect on the SPFS or other financial data are significant to this audit's objectives. Crowe concluded that no follow up was required.

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

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at USAID:

- 1. Advise Blumont to address the report's six internal control findings.**
- 2. Advise Blumont to address the report's two noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

June 4, 2021

The Honorable Samantha Power
Administrator, U.S. Agency for International Development

Dr. Tina Dooley-Jones
USAID Mission Director for Afghanistan

SIGAR contracted with Crowe LLP (Crowe) to audit the costs incurred by to Blumont Global Development Inc. (Blumont) under a cooperative agreement from the U.S. Agency for International Development (USAID) to support the Conflict Mitigation Assistance for Civilians program in Afghanistan.¹ The program provides assistance to support Afghan families suffering from military operations, to conduct advocacy and outreach, and for other related activities. Crowe reviewed \$9,120,738 in costs charged to the agreement from January 1, 2019, through December 31, 2019. Our contract with Crowe required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at USAID:

- 1. Advise Blumont to address the report's six internal control findings.**
- 2. Advise Blumont to address the report's two noncompliance findings.**

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

Please provide documentation related to corrective actions taken and/or target dates for planned completion for the recommendations to sigar.pentagon.audits.mbx.recommendation-followup@mail.mil, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-187)

¹ The agreement number is 72030618CA00005.



Blumont Global Development, Inc.
Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030618CA00005
Special Purpose Financial Statement
For the Period January 1, 2019 through December 31, 2019
(With Independent Auditor's Report Thereon)

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TRANSMITTAL LETTER

March 15, 2021

To the Board of Directors of Blumont Global Development, Inc.
1777 North Kent Street Suite 300
Arlington, Virginia 22209

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during our audit of Blumont Global Development, Inc. (“Blumont”) special purpose financial statement applicable under the U.S. Agency for International Development (“USAID”) Cooperative Agreement No. 72030618CA00005 to support the Conflict Mitigation Assistance for Civilians (“COMAC”) program for the period January 1, 2019 through December 31, 2019.

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, our report on internal control, and our report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of Blumont, the U.S. Agency for International Development (“USAID”), and the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”), provided both in writing and orally throughout the audit planning and fieldwork phases. Management’s final written responses will be incorporated as an appendix to this report.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of Blumont’s cooperative agreement.

Sincerely,

Bert Nuehring, CPA, Partner
Crowe LLP

SUMMARY

Background

On March 12, 2018, the U.S. Agency for International Development (“USAID”) awarded a \$39,999,873 cooperative agreement to Blumont to support the Conflict Mitigation Assistance for Civilians (“COMAC”) program. The total initial obligated amount was for \$8,500,000. As of January 9, 2020, the total obligated amount is \$26,375,000.

COMAC provides comprehensive victims’ assistance to Afghan families suffering from military operations by delivering direct and indirect assistance, building the capacity of the Government of Afghanistan, and conducting advocacy and outreach. The program’s victim assistance initiatives focus on Afghan civilians and dependents who have suffered loss of life, physical injury, or lack of economic livelihood. The program is a five-year Afghanistan-wide program based in Kabul with regional offices in Herat, Kandahar, Jalalabad, and Mazar-i-Sharif that will support delivery of victims’ assistance (“VA”) to at least 50,000 Afghan families. The period of performance for the award is still ongoing and covers the period of March 12, 2018 through March 11, 2023.

Our audit period encompassed activities in parts of Years 1 and 2 of the award. During this time, Blumont led programmatic efforts, with support from Ministry of Labor, Social Affairs, Martyrs and Disabled (“MoLSAMD”) staff, to (a) provide direct assistance and referrals to eligible victims; (b) build the institutional and technical capacity of MoLSAMD and other relevant Government of the Islamic Republic of Afghanistan (“GIROA”) entities; (c) provide referral services to eligible victims; and, (d) carry out advocacy and outreach about victims’ rights, needs, services, and the role of MoLSAMD, specifically the Martyrs and Disabled Division (“MDD”). Key implementation requirements and activities include the following:

1. In Coordination and Collaboration with GIROA, Appropriate Assistance Provided to Victims of the Conflict by Effectively Using All Available Resources.
 - Mapping of VA Service Providers.
 - Beneficiary Data Collection and Management.
 - Delivery of Immediate Assistance to Victims in a Timely and Responsive Manner.
 - Provision of Tailored Assistance Programs with Long-Term Linkages.
 - Strengthening Referral Protocols for Victims.
2. GIROA’s Capacity to Respond to Victims’ Needs Improved.
 - Needs Assessment of MoLSAMD, Ministry of Public Health, and Their Provincial Directorates and Local Offices.
 - Design and Delivery of Customized Capacity-Building Support to GIROA.
3. Increased Awareness of Victims’ Assistance Services.
 - Design of Communication Strategy and Development of an Action Plan for MDD.
 - Implementation of Advocacy and Outreach Activities.

After four modifications to the agreement, the total funding was increased to \$26,375,000 and the period of performance remained unchanged through March 11, 2023.

Crowe’s audit encompasses the period January 1, 2019 through December 31, 2019. Within the period under audit, Blumont reported \$9,120,738 in costs.

Work Performed

The Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) engaged Crowe LLP (“Crowe” or “we” or “our”) to conduct a financial audit of cooperative agreement number 72030618CA00005 awarded to Blumont Global Development, Inc. (“Blumont”).

Objectives Defined by SIGAR

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

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether Blumont’s Special Purpose Financial Statement (“SPFS”) for the cooperative agreement presents fairly, in all material respects, revenues earned, costs incurred, and balance for the period audited in conformity with the terms of the cooperative agreement and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

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

Audit Objective 3 – Compliance

Perform tests to determine whether Blumont complied, in all material respects, with the cooperative agreement and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the cooperative 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 Blumont 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 or other financial data significant to the audit objectives.

Scope

The scope of the audit included \$9,120,738 in costs for the period January 1, 2019 to December 31, 2019. The audit was limited to those matters and procedures pertinent to the cooperative agreement that have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included testing 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 final audit program for detailed evaluation:

- Allowable Costs and Activities;
- Cash Management;
- Eligibility;
- Equipment and Real Property;
- Procurement;
- Reporting; and
- Subrecipient Monitoring.

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, assessment, and review comments, as applicable.

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded accurately and were consistent with the terms and conditions of the award; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the cooperative agreement, as applicable; and were adequately supported.

Regarding Audit Objective 2 pertaining to internal control, Crowe requested, and the auditee provided copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by Blumont during the period of performance. To the extent documented policies and procedures were unavailable, Crowe conducted interviews with management to obtain an understanding of the processes that were in place during the period of performance. The system of internal control is intended to provide reasonable assurance of achieving reliable financial 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 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the cooperative agreement. Crowe identified – through review and evaluation of the cooperative agreement from USAID to Blumont – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including, but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected transactions, draws on the line of credit, equipment and real property, financial and programmatic reports, beneficiaries and applicants, organizations identified as subrecipients by Blumont, and procurements for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess Blumont's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with Blumont's Negotiated Indirect Cost Rate Agreement submitted by Blumont. We also performed procedures to determine if adjustments to the draws that were based on preliminary or provisional rates were made, as required and applicable.

Regarding Audit Objective 4, Crowe inquired of Blumont, SIGAR, and USAID personnel participating in the audit entrance conference to understand whether there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. [REDACTED]

[REDACTED] We also reviewed the audited financial statements for Blumont Global Development Inc. for the years 2018 and 2019 as well as the Blumont, Inc. and Affiliates audited combined financial statements and supplementary information for the years ended December 31, 2017-2018 and December 31, 2018-2019. One finding was noted in the Blumont, Inc. and Affiliates December 31, 2017-2018 report. Crowe reviewed the prior audit report to ascertain whether the finding may be direct and material to the SPFS or significant to the audit objectives. Crowe determined that all reviewed prior audit reports were not direct or material to the award under audit.

1 [REDACTED]

Summary of Results

Upon completion of Crowe's procedures, Crowe identified six (6) findings that met one or more of the following criteria: (1) significant deficiencies in internal control; (2) material weaknesses in internal control; (3) noncompliance with rules, laws, regulations, or the terms and conditions of the cooperative agreement; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued an unmodified opinion on the SPFS.

Crowe also reported on both Blumont's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the cooperative agreement. Five (5) material weaknesses and one (1) significant deficiency in internal control were reported. Additionally, we reported two (2) instances of noncompliance. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

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 by our testing.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to Blumont's financial performance under this cooperative agreement. Based on Crowe's communications with Blumont, SIGAR, and USAID, Crowe reviewed eight audit reports in total issued to Blumont and its prior entity, International Relief and Development (IRD). The three reports issued to IRD (all prior to 2015) contained twenty-nine (29) internal control findings and twenty-eight (28) instances of noncompliance. Crowe determined that findings included in prior audit reports were not direct or material to the Special Purpose Financial Statement or other financial information significant to the audit objectives. Therefore, we concluded that follow-up on the findings was not required.

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2019-01	Misstatements Identified in the Special Purpose Financial Statement and Note Disclosures	Material Weakness in Internal Control	\$0
2019-02	Incomplete Property Records	Material Weakness in Internal Control and Noncompliance	\$0
2019-03	Eligibility Procedures Not Implemented as Designed	Material Weakness in Internal Control	\$0
2019-04	Inadequate Micro-Purchase Procurement Procedures	Material Weakness in Internal Control	\$0
2019-05	Incorrect Subrecipient-Contractor Determination and Inaccurate Reporting of Subawards	Material Weakness in Internal Control and Noncompliance	\$0
2019-06	Inadequate Monitoring Process Over Subrecipient Audit Requirements	Significant Deficiency in Internal Control	\$0
Total Questioned Costs:			\$0

(Continued)

Summary of Management Comments

Management provided responses to the draft audit findings. A summary of management's comments follows:

- Management disagreed with finding 2019-01 due to the finding being specific to the inconsistent presentation of the SIGAR audits and stated that "the Special Purpose Financial Statement (SPFS) was prepared consistent with the instructions provided during the 2018 SIGAR audit of the same project."
- Management disagreed with finding 2019-02 due to the property items having been donated to COMAC from other implementing partners without values and there was "no information regarding acquisition costs in existence."
- Management disagreed with finding 2019-03 and its classification and stated that they provided the audit team expense vouchers that show the linkage to program disbursement.
- Management disagreed with finding 2019-04, stating that the micro-purchase procedures in place are sufficient.
- Management disagreed with finding 2019-05 stating that they made their determination based off the scope of work and that the USAID Agreement officer was aware of the determination made.
- Management disagreed with finding 2019-06 and stated that they provided evidence of monitoring on an expired RSI sub-award, as was Blumont's Form A, which tracks sub-recipients federal spending if exceeding \$750,000 per year.

Crowe has responded to each management response with a rebuttal in Appendix B. Crowe did not make any changes to the findings as a result of management's stated disagreement with each of the findings. Crowe found that Blumont did not provide any additional information to change the condition of each finding.

Reference to Appendix

The auditor's reports are supplemented by two appendices: **Appendix A**, which contains management's responses to the audit findings and **Appendix B**, which contains Crowe's rebuttal.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the Board of Directors of Blumont Global Development, Inc.
1777 North Kent Street Suite 300
Arlington, Virginia 22209

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

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement (the "Statement") of Blumont Global Development, Inc. ("Blumont"), and related notes to the Statement, with respect to the United States Agency for International Development's Cooperative Agreement No. 72030618CA00005 awarded to Blumont Global Development, Inc. ("Blumont") for the Conflict Mitigation Assistance for Civilians ("COMAC") program for the period January 1, 2019 through December 31, 2019.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of Cooperative Agreement No. 72030618CA00005. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the Special Purpose Financial Statement referred to above pertaining to Cooperative Agreement No. 72030618CA00005 presents fairly the revenues earned, costs incurred, and balance for the indicated period in accordance with the basis of presentation and accounting described in Notes 1, 2, 4, 5, and 6.

Basis of Presentation and Accounting

We draw attention to Notes 1, 2, 4, 5, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in a format required by SIGAR and presents those amounts as permitted under the terms and conditions of Cooperative Agreement No. 72030618CA00005, 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 cooperative agreement referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of Blumont, the United States Agency for International Development ("USAID"), and the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR"). 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 our reports dated March 4, 2021, on our consideration of Blumont's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, cooperative agreement, and other matters. The purpose of that report 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blumont's internal control over financial reporting and compliance.


Crowe LLP

March 4, 2021
Washington, D.C.

**Blumont Global Development, Inc.
Special Purpose Financial Statement
For the Period January 1, 2019 to December 31, 2019.**

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>		
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Notes</u>
Revenues					
Cooperative Agreement Number 306-72030618CA00005	\$ 39,999,873	\$ 9,120,738			4
Total Revenue	<u>\$ 39,999,873</u>	<u>\$ 9,120,738</u>			
Costs Incurred					
PERSONNEL	\$ [REDACTED]	\$ [REDACTED]			5
FRINGE BENEFITS					
TRAVEL, TRANSPORTATION, AND PER DIEM ALLOWANCES					
EQUIPMENT					
SUB-GRANTEES / CONTRACTORS					
CONSULTANTS					
OTHER DIRECT COSTS					
SECURITY					
INDIRECT COSTS					
Total Costs Incurred	<u>\$ 39,999,873</u>	<u>\$ 9,120,738</u>			
Balance		<u>\$ -</u>			6

Note: The award budget as presented within the cooperative agreement includes a \$1 difference between the sum of the budgeted amounts by account and the total award budget of \$39,999,873.

Blumont Global Development, Inc.
Notes to the Special Purpose Financial Statement
For the Period January 1, 2019 to December 31, 2019.

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under U.S. Agency for International Development ("USAID") Cooperative Agreement Number 72030618CA00005 for the Conflict Mitigation Assistance for Civilians ("COMAC") for the period January 1, 2019, through December 31, 2019. Because the Statement presents only a selected portion of the operations of Blumont Global Development ("Blumont"), it is not intended to and does not present the financial position, changes in net assets, or cash flows of Blumont. 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 award. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Basis of Accounting

Revenues and expenditures reported on the Statement are reported on the Accrual Basis. Expenditures are recognized following the cost principles contained in Cost Principles contained in 2 CFR 200, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Foreign Currency Translation Method

For purposes of preparing the Statement, translations from local currency to United States dollars were required.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which Blumont is entitled to receive from the USAID for allowable, eligible costs incurred under the cooperative agreement 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, approved award budget adopted as a component of the original budget to the cooperative agreement started March 12, 2018 until March 11, 2023.

Note 6. Balance

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the contract and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

Note 7. Currency

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

Note 8. Subrecipients

██████████ received total payments of \$624,122 during 2019.

(Continued)

Blumont Global Development, Inc.
Notes to the Special Purpose Financial Statement
For the Period January 1, 2019 to December 31, 2019.

Note 9. Program Status

The COMAC remains active. The period of performance for the award is scheduled to conclude on March 11, 2023 as noted in modification number 3 dated April 15, 2019.

Note 10. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to January 1, 2019 through December 31, 2019, the period covered by the Statement. Management has performed their analysis through March 4, 2021.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors of Blumont Global Development, Inc.
1777 North Kent Street Suite 300
Arlington, Virginia 22209

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of Blumont Global Development, Inc. ("Blumont"), and related notes to the Statement, with respect to the United States Agency for International Development's Cooperative Agreement No. 72030618CA00005 for the period January 1, 2019 through December 31, 2019. We have issued our report thereon dated March 4, 2021.

Internal Control over Financial Reporting

Blumont's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the cooperative agreement; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of accounting and presentation described in Notes 1, 2, 4, 5, and 6 to the 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 Statement for the period January 1, 2019, through December 31, 2019, we considered Blumont's internal controls 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 Blumont's internal control. Accordingly, we do not express an opinion on the effectiveness of Blumont's internal control.

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

(Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-01, 2019-02, 2019-03, 2019-04, and 2019-05 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-06 to be a significant deficiency.

We noted certain matters that we communicated to Blumont's management in a separate letter dated March 4, 2021.

Blumont Global Development's Response to the Findings

Blumont's response to the findings identified in our report are described in Appendix A to our report. Blumont's response to the findings were not subjected to the auditing procedures applied in the audit of the 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 Blumont, the United States Agency for International Development ("USAID"), and the Special Inspector General for Afghanistan Reconstruction ("SIGAR"). 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 LLP
Crowe LLP

March 4, 2021
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors of Blumont Global Development, Inc.
1777 North Kent Street Suite 300
Arlington, Virginia 22209

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of Blumont Global Development, Inc. ("Blumont"), and related notes to the Statement, with respect to the United States Agency for International Development's Cooperative Agreement No. 72030618CA00005 for the period January 1, 2019 through December 31, 2019. We have issued our report thereon dated March 4, 2021.

Management's Responsibility for Compliance

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and cooperative agreement, noncompliance with which could have a direct and material effect on the determination of 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 the accompanying Schedule of Findings and Questioned Costs as Findings 2019-02 and 2019-05.

Blumont Global Development's Response to the Findings

Blumont's response to the findings identified in our audit are described in Appendix A of this report. Blumont's response was not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on it.

(Continued)

Purpose of this Report

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

Restriction on Use

This report is intended for the information of Blumont, the United States Agency for International Development ("USAID"), and the Special Inspector General for Afghanistan Reconstruction ("SIGAR"). 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 LLP
Crowe LLP

March 4, 2021
Washington, D.C.

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31, 2019

FINDING 2019-01: Misstatements Identified in the Special Purpose Financial Statement and Note Disclosures

Material Weakness in Internal Control

Condition: Blumont stated within Note 2 to the Special Purpose Financial Statement ("SPFS"), that the SPFS was prepared on the accrual basis of accounting. During testing of the financial records that support the SPFS, we identified the following transactions that were recorded in the incorrect accounting period:

- 113 transactions out of 5,701 for a total of \$240,120 reflecting direct costs from 2018 that should not be included in the SPFS for the period January 1, 2019 through December 31, 2019;
- Indirect Costs related to the above transactions in the total of \$23,115;
- \$2,621 in government property received in 2018 was recorded and booked to 2019 due to the timing of payments; and
- Revenue was misstated by a total of \$265,856 due to management's having included revenue earned in prior period within the current SPFS.

As a result, a material total of \$265,856 costs incurred was improperly included on the SPFS. Following identification of the material misstatements, management conducted an analysis of the population and produced a revised SPFS to exclude certain costs incurred in 2018 from the 2019 SPFS and to include omitted 2019 costs recorded to the 2020 accounting period. Blumont corrected material errors but did not correct \$54,668 in costs recorded to the incorrect accounting period.

In addition, we noted that Blumont did not include a note disclosure regarding costs incurred by all subrecipients. Blumont provided a listing of subrecipients to Crowe for audit that included the following entities and corresponding award amounts, which are material to the SPFS:

█ [REDACTED]

Subsequent to our initial review and identification of the errors and omissions, management provided revised Notes to the SPFS. Blumont did not fully correct the subrecipient disclosure, however. See Finding 2019-05.

Criteria: Note 1, "Basis of Presentation", to Blumont's SPFS states: "The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Cooperative Agreement 72030618CA00005 for the COMAC for the period 1/1/2019 to 12/31/2019."

Note 2, "Basis of Accounting", to the SPFS states: "Revenues and expenditures reported on the Statement are reported on the Accrual Basis."

█ [REDACTED]

Effect: The government may not be receiving accurate financial information related to the program under audit. The amounts recorded on the SPFS are misstated.

(Continued)

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31,2019

Cause: Blumont did not implement an adequate financial reporting process to ensure that revenue and expenditures were appropriately recognized and the SPFS was accurately presented. In addition, staff were not sufficiently trained to properly prepare the SPFS.

Questioned Costs: We did not determine the costs to be ineligible, just reported incorrectly. Thus, the amount identified is a misstatement and not a questioned cost.

Recommendation: We recommend that Blumont:

1. Correct the remaining misstatement of \$54,669 in costs incurred and reported revenue;
2. Revise the financial reporting process to incorporate an appropriate review of financial records
3. supporting reports and note disclosures for alignment with applicable requirement; and
4. Provide training on the revised procedures to the appropriate personnel.

(Continued)

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31, 2019

FINDING 2019-02: Incomplete Property Records

Material Weakness in Internal Control and Noncompliance

Condition: During our analysis of Blumont's property records, we noted 613 of the 2,316 items appearing in Blumont's inventory records did not include acquisition cost. In the absence of the acquisition data, we deemed the property records were incomplete.

Criteria: In accordance with 2 CFR Part 200.313(d)(1), Blumont is required to maintain accurate property records "that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN²), who holds title, the acquisition date, and cost of the property."

According to Section IV of Blumont's *Property Management Guidelines*, "Blumont is responsible and accountable for all U.S. Government property in accordance with the provisions of its contracts and grants/cooperative agreements, including property provided under contract in possession or control of a subcontractor or a sub-grantee."

Additionally, Section IV outlines the duties of the Project Designated Property Custodian which includes being "is responsible for overall administration of Government property, for affixing property tags to Government-owned property, for reviewing and approving all equipment purchases, for obtaining any sponsoring agency approvals necessary, for preparing Government property inventory reports."

Section VII states that, "During project implementation, the contractor or grantee must keep adequate records, must maintain and care for the property and must ensure its proper use for project purposes. These obligations are defined in U.S. laws and regulations and are included in the standard provisions of USAID contracts and agreements."

In addition, an officer of Blumont (normally Chief of Party) must make the following attestations:

- 1) A physical inventory is made annually of the property;
- 2) The accountability records maintained for the property are in agreement with the inventories; and
- 3) The total of the detailed accountability records agrees with the property value stated in the report."

Effect: Blumont's incomplete listing of property records may result in inaccurate financial and inventory records.

Cause: Management asserted that the items missing acquisition data were transferred in from other projects and that the missing data was not initially disclosed to the project team. Blumont's monitoring process was inadequate to detect and correct the omissions.

Questioned Costs: Exceptions identified were transferred from a previous project and were not purchased with award funds. Therefore, we did not identify any questioned costs.

Recommendation: Crowe recommends that Blumont:

- a) Conduct additional analysis of the 613 equipment and real property items missing acquisition costs and update the inventory records accordingly; and
- b) Provide training to its employees to ensure the complete and accurate recording of all equipment items purchased with Federal funds.

² Federal Award Identification Number (FAIN)

(Continued)

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31,2019

Pursuant to 2 CFR Part 200.302(b)(2), *Financial Management System*, Blumont is required to maintain "Records that identify adequately the source and application of funds for federally-funded activities."

Effect: Without approvals, COMAC may be at an increased risk of providing assistance services to ineligible families, resulting in a misuse of government funds. Additionally, in the absence of data quantifying benefits provided to families, the potential financial risk resulting from control deficiencies is indeterminable.

Cause: Blumont's initial eligibility determination review and approval process did not function effectively. Management did not perform adequate monitoring of the approval of the incident reporting forms. Additionally, Blumont's financial records did not include sufficient data to properly identify beneficiary costs per incident.

Questioned Costs: We did not identify any questioned costs. As indicated in the condition, we requested that Blumont provide a report documenting program funds disbursed in response to each of the above-referenced incidents. However, Blumont did not provide the requested reports or other such supporting documentation linking the incidents to program disbursements.

Recommendation: Crowe recommends that Blumont:

1. Provide training to their employees to ensure that all required approvals are received, and documents are complete and accurate prior to registering an incident as eligible for COMAC assistance; and
2. Calculate and communicate to USAID the costs incurred per incident and update its financial records.

(Continued)

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31, 2019

FINDING 2019-04: Inadequate Micro-Purchase Procurement Procedures

Material Weakness in Internal Control

Condition: Blumont's procurement policy establishes a purchasing threshold of [REDACTED] in the Field Office and [REDACTED] in the Home Office, below which formal bids or quotes are not required. Such an approach aligns with the micro-purchase procurement method codified at 2 CFR Part 200.320. During our review of Blumont's written procurement procedures required by 2 CFR Part 200.318, we noted the procedures did not specify the method Blumont utilizes to ensure micro-purchases are equitably distributed and do not exceed Blumont's micro-purchase thresholds in the aggregate.

Blumont provided a listing of micro-purchases during the audit period totaling [REDACTED] covering 568 contractors. Of the 568 contractors, 45 contractors were noted as having received greater than [REDACTED] in payments. The total costs for the 45 vendors was [REDACTED]. Both the total micro-purchases and the costs for contractors exceeding [REDACTED] in the aggregate are material.

Criteria: Pursuant to 2 CFR Part 200.303(a), *Internal controls*, Blumont is required to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

2 CFR Part 200.320(a)(1)(i), *Methods of procurement to be followed*, states that procurement by micro-purchase is "the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers." Additionally, 2 CFR Part 200.320(a)(1)(ii) states that "Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable."

[REDACTED]

[REDACTED]

Effect: In the absence of a formal policy or procedure pertaining to micro-purchases, the likelihood that Blumont will distribute micro-purchases to vendors in an unequitable manner or purchase goods and services through micro-purchase processes that exceed the threshold is increased.

Cause: Blumont did not consider it necessary to document its procedure regarding equitable distribution.

Questioned Costs: No reportable questioned costs were determined.

(Continued)

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31,2019

Recommendation: We recommend that Blumont:

1. Develop, document, and implement a policy or procedure regarding the equitable distribution of micro-purchases and that incorporates monitoring of micro-purchases for compliance with the Uniform Guidance; and
2. Provide training to staff regarding implementation of the policy or procedure.

(Continued)

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31, 2019

FINDING 2019-05: Incorrect Subrecipient-Contractor Determinations and Inaccurate Reporting of Subawards to the Government

Material Weakness in Internal Control and Noncompliance

Condition: Blumont provided a listing of three subrecipients in response to Crowe's request for a subrecipient population. The subrecipient population provided by Blumont contained the following organizations:

[REDACTED]

Management's Assertions Regarding Subrecipient-Contractor Determinations

Each of the aforementioned entities were also identified as sub-awards³ under the COMAC award during our review of www.usaspending.gov. Further, Blumont's agreement with USAID named [REDACTED] as subawardees. Accordingly, Crowe requested documentation evidencing Blumont's conduct of subrecipient monitoring procedures. Management stated the awards made to [REDACTED] were contracts and, therefore, did not provide documentation supporting Blumont's conduct of subrecipient monitoring of the two organizations.

Analysis of Subrecipient-Contractor Determinations

We requested documentation to support Blumont's subrecipient-contractor determinations at the time Blumont entered each subaward. In response, Blumont provided their Source Selection Justification memorandum and Form A "Eligibility Checklist for Subinstruments of \$25,000 or more under Prime US Government Awards" which indicated that [REDACTED] would be a contractor. However, neither the form nor memorandum provided sufficient detail or analysis to demonstrate alignment with 2 CFR 200.330.

Management also provided copies of its agreements with [REDACTED], including statements of work. We analyzed the agreements entered into by and between Blumont and [REDACTED] and Blumont and [REDACTED], respectively, and concurred with Blumont's determination that [REDACTED] is a contractor. Therefore, the reporting of [REDACTED] to www.fsr.gov as a subgrantee is incorrect.

Regarding [REDACTED], we reviewed publicly available data regarding [REDACTED] services, activities, and other matters as well as the agreement with Blumont. Further, we requested documentation from Blumont evidencing [REDACTED] provision of the applicable services in a commercial environment, providing the same or similar services to many different purchasers, and providing the requested services within normal business operations. Blumont did not provide documentation demonstrating that [REDACTED] operates in a commercial environment or that the services provided, in general, are commercial in nature. We also noted the services provided carry out the program for a public purpose and – based on our review of VOWO's scope of work – carried out scope included within the Blumont cooperative agreement. In consideration of these matters, we concluded [REDACTED] is a subrecipient, consistent with Blumont's reporting of [REDACTED] through www.fsr.gov.⁴

³ Per USAspending.gov, "The Sub-Awards tab displays any sub-grants reported by this grant's recipient (the "prime recipient" in a sub-award context). A sub-award is an agreement that a prime recipient makes with another entity to perform a portion of their award. On our website, these recipients are known as sub-recipients. Sub-awards might also be referred to as a sub-contract or a sub-grant. Sub-grants are awards of financial assistance made under a grant by a prime grantee to an eligible subgrantee."

⁴ Subaward data presented on www.usaspending.gov is based on information provided by the recipient through its submission of data to www.fsr.gov to comply with the provisions of the Federal Funding Accountability and Transparency Act.

(Continued)

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31,2019

Accounting for Costs Incurred by Subawardees and Contractors

Lastly, we reviewed the general ledger detail supporting the SPFS and noted the transactions for each of the three organizations [REDACTED] were recorded to the account "Subaward >100K-EXC". Based on the above, costs associated with Sayara should be charged to a non-subaward account.

Criteria: According to 2 CFR 200.330 *Subrecipient and Contractor Determinations*, "The Non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

(a) Subrecipients. A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. See §200.92 Subaward. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- (1) Determines who is eligible to receive what Federal assistance;
- (2) Has its performance measured in relation to whether objectives of a Federal program were met;
- (3) Has responsibility for programmatic decision making;
- (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

(b) Contractors. A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. See §200.22 Contract. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:

- (1) Provides the goods and services within normal business operations;
- (2) Provides similar goods or services to many different purchasers;
- (3) Normally operates in a competitive environment;
- (4) Provides goods or services that are ancillary to the operation of the Federal program; and
- (5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

(c) Use of judgment in making determination. In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract."

[REDACTED]

2 CFR 200 states in that "[i]n determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a sub-recipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a sub-award or a procurement contract.

(Continued)

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31,2019

Use sub-award when intent is to have another organization carry out the scope of work described in the prime award.”

Effect: The Government may be charged additional costs that are ineligible for subrecipients (e.g., profit) due to improper classification of [REDACTED] as a contractor. In addition, the misclassified contractor may fail to comply with federal regulatory requirements applicable subrecipients if the entity is unaware it is a subrecipient.

Cause: Blumont’s procedures for determining whether a vendor qualifies as sub recipient or contractor do not include adequate requirements for documenting that determination, and Blumont’s personnel were not adequately trained to make these determinations. In addition, Blumont’s procedures also do not require a detailed determination of each vendor based on the requirements in to 2 CFR 200.330 *Subrecipient and Contractor Determinations*.

Further, management did not sufficiently monitor the reporting of subrecipients to the US government nor the recording of transactions in their financial records related to contractors and subrecipients.

Questioned Costs: Blumont’s accounting for these vendors was consistent with that of a subrecipient. As such, no additional costs, such as indirect costs, were applied to the costs incurred by these vendors that would be questioned. Additionally, Blumont notified and received approval from USAID for each of the vendors indicated.

Recommendation: We recommend that Blumont:

1. Update their policies and/or procedures to require a detailed determination of each vendor based on the requirements in to 2 CFR 200.330 *Subrecipient and Contractor Determinations* and provide training to personnel on how to make these determinations;
2. Perform a review of all entities listed in the subaward account and reconcile the account to only include those transactions related to entities determined to be subrecipients, and implement monitoring process over the recording of subrecipient costs in the accounting system;
3. Implement a process to monitor the reporting of sub-recipient to the government; and
4. Provide training to applicable personnel on the additional monitoring processes.

(Continued)

Blumont Global Development, Inc.
Section I Schedule of Findings and Questioned Costs
For the Period January 1, 2019 to December 31,2019

FINDING 2019-06: Inadequate Monitoring Process Over Subrecipient Expenditures for Compliance with Audit Requirements

Significant Deficiency in Internal Control

Condition: We requested the standard operating procedures related to the monitoring of subrecipients, including procedures to determine when a subrecipient is required to be audited based on actual costs incurred during the subrecipient's fiscal year. Blumont provided a Form C related to a Pre-Award Survey and Due Diligence Questionnaire. However, Blumont's procedures and Form C did not indicate the steps that are to be taken to identify total Federal expenditures/costs incurred during the fiscal year so as to determine when expenditures reach the \$750,000 required for an audit under federal regulations.

Blumont asserted they monitor the total expenditures through the use of an incurred cost worksheet. We requested the supporting documentation; however, we did not receive support from Blumont to confirm that assertion, and were unable to determine whether the sub-recipients had an audit conducted in accordance with federal audit requirements.

Criteria: Pursuant to 2 CFR Part 200.303(a), *Internal controls*, Blumont is required to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Pursuant to 2 CFR 200.501, *Audit requirements*, Blumont is required to comply with the following requirements:

(a) Audit required. A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

(b) Single audit. A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with § 200.514 except when it elects to have a program-specific audit conducted in accordance with paragraph (c) of this section.

Effect: Management is at risk of issuing awards to entities who have not met their audit requirements, resulting in a non-compliance with Federal requirements. In addition, should subawardees or contractors not have audits conducted when required, Blumont may be unaware of errors and issues that impact federal awards.

Cause: Blumont's Sub-Awards Policy was not properly designed to include monitoring procedures over an awardee's expenditures during the post-award phase to ensure that awardees' are meeting their federal requirements related to program-specific audits.

Questioned Costs: N/A. The finding is related to an inadequate internal control process and not an issue with non-compliance. No specific costs are at question.

Recommendation: Crowe recommends that Blumont

1. Revise its Sub-Awards Policy to include a procedure on the identification of when a recipient is subject to an audit and/or has triggered an audit requirement.
2. Provide training to its employees to effectively implement the revised Sub-Awards Policy.

(Continued)

Blumont Global Development, Inc.
Section II Summary Schedule of Prior, Review and Assessment Findings
For the Period January 1, 2019 to December 31,2019

Crowe reviewed eight prior audit reports that contained (29) internal control findings and twenty-eight (28) instances of noncompliance. We assessed the findings to ascertain whether the matters may be direct and material to the Special Purpose Financial Statement or other financial information significant to the audit objectives. In addition, we reviewed the prior auditor's comments regarding the status of prior audit findings. During our review of the reports, we noted there were no findings that were direct and material to the Special Purpose Financial Statement and our audit objectives. Accordingly, Crowe concluded that no additional procedures or follow up were required. We included reports issued to the Blumont's previous, entity International Relief and Development, Inc., to assist with our risk assessment.

The reports reviewed by Crowe are listed below:

1. Blumont Global Development – Audited Financial Statements for the Year Ended December 31, 2018
2. Blumont Global Development – Audited Financial Statements for the Year Ended December 31,2019
3. Blumont, Inc. and Affiliates – Audited Combined Financial Statements and Supplementary Information Years Ended December 31, 2018 and 2017
4. Blumont, Inc. and Affiliates – Audited Combined Financial Statements and Supplementary Information Years Ended December 31, 2019 and 2018
5. SIGAR 17-35 Financial Audit - USAID's Kandahar Food Zone Program: Audit of Costs Incurred by International Relief and Development Inc. – April 2017
6. SIGAR 14-39 Financial Audit - USAID's Strategic Provincial Roads Program: Audit of Costs Incurred by International Relief and Development, Inc. – February 2014
7. SIGAR 15-7 Financial Audit - USAID's Afghanistan Vouchers for Increased Production in Agriculture Program: Audit of Costs Incurred by International Relief & Development, Inc. – October 2014
8. SIGAR Financial Audit 13-08 – USAID's Human Resources and Logistical Support Program Audit of Costs Incurred by International Relief Development, Inc. – July 2013

APPENDIX A VIEWS OF RESPONSIBLE OFFICIALS

Blumont provided the following response to Crowe via email on February 26, 2021, regarding the findings contained in the draft report. The response has been included herein verbatim and source formatting retained.



March 5, 2021

Bert Neuhring, CPA, Partner
Crowe LLP
1455 Pennsylvania Ave., N.W., Suite 700
Washington, D.C. 20004

Reference: Blumont's response to draft audit report findings and recommendations of Cooperative Agreement No. 72030618CA00005, Conflict Mitigation Assistance for Civilians (COMAC) program for period January 1 – December 31, 2019.

Dear Mr. Neuhring,

On behalf of Blumont Global Development, Inc., I am writing in response to the request for us to provide Management Comments to the findings and recommendations contained within the draft audit report referenced above. Below are Blumont's responses to the recommendations:

"Finding 2019-01: Misstatements Identified in the Special Purpose Financial Statement and Note Disclosures.

Recommendation: 1) Correct the remaining misstatement of \$54,669 in costs incurred and reported revenue; 2) Revise the financial reporting process to incorporate an appropriate review of the financial records supporting reports and note disclosures for alignment with applicable requirement; and 3) provide training on the revised procedures to the appropriate personnel."

Blumont Response: As previously discussed with the Crowe audit team, the Special Purpose Financial Statement (SPSF) was prepared consistent with the instructions provided during the 2018 SIGAR audit of the same project. The 2018 SIGAR auditors (Clifton, Larson, Allen), requested that the SPFS be prepared in a consistent manner to the expenditures reported on the Standard Form 425. Based on the SPFS submitted to them for Fiscal Year 2018, we only reported the billable expenses reported on SF425,



with a note to explain the expenses that were incurred in FY18 but billed in the following SF425, (please see attachment "Excerpt from 2018 SIGAR Financial Audit").

Similarly, in preparing the SPFS for 2019 we submitted the expenses that were reported on the SF425, explaining the breakdown of expenses, showing what was coming from the previous year, what was booked and billed in the same fiscal year, and what was booked in FY19 but billed in FY20, with a reconciliation to the total expenses billed through FY19, (please see attachments SPSF 2019, SF425 12/31/2018 and SF425 12/31/2019).

The criteria used by Crowe to evaluate the SPFS is different than the 2018 SPFS criteria and was not initially communicated to Blumont. Once the change in expectations was communicated, Blumont presented the SPFS in the format requested. All expenditures were correctly charged to the project, allowable, and in accordance with the terms and conditions of the award.

This finding is specific to the inconsistent presentation of the SIGAR audits and does not impact the total allowable billable costs. Therefore, we disagree with this finding. In future periods, Blumont will clarify with the auditors which basis of SPFS presentation they wish to see prior to preparation and submission.

"Finding 2019-02: Incomplete Property Records

Recommendation: a) Conduct additional analysis of the 613 equipment and real property items missing acquisition costs and update the inventory records accordingly and b) Provide training to its employees to ensure the complete and accurate recording of all equipment items purchased with Federal funds."

Blumont Response: As previously discussed with the Crowe audit team, the 613 items that did not include acquisition costs on the inventory records were a result of no information regarding acquisition costs in existence. These items were donated to COMAC from other implementing partners without values provided at the time of donation, therefore it would have been incorrect to include a hypothetical acquisition cost. At that time, we had already asked the donating implementing partners for acquisition costs of property items, but this documentation was never provided. The COMAC team has already been trained and USAID Property Management Guidelines have been followed by Blumont. As these items were transferred to Blumont from



other implementers, it is not possible for this finding to result in a material error and the current classification as a Material Weakness is unsupported by the facts.

"Finding 2019-03: Eligibility Procedures Not Implemented as Designed

Recommendation: 1) Provide training to their employees to ensure that all required approvals are received, and documents are complete and accurate prior to registering an incident as eligible for COMAC assistance and 2) Calculate and communicate to USAID the costs incurred per incident and update its financial records."

Blumont Response: Blumont disagrees with the statement included in the Condition section of this finding that Blumont did not provide the requested reports or other such supporting documentation linking the incidents to program disbursements. In fact, we did provide to the audit team expense vouchers that show this linkage. Regarding the recommendations, both have been carried out; training has been conducted and USAID has been provided with updated information. Additionally, the COMAC team has updated SOP (Standard Operating Procedure) guidelines for program staff and the staff undergo refresher trainings. As Crowe did not identify any instances of inaccurate eligibility or unallowable costs and determined appropriate mitigating controls were in place, the current classification of the finding as a Material Weakness is unsupported by the facts.

"Finding 2019-04: Undocumented Micro-Purchase Procurement Procedures

Recommendation: 1) Develop, document, and implement a policy or procedure regarding the equitable distribution of micro-purchases and that incorporates monitoring of micro-purchases for compliance with the Uniform Guidance; and 2) Provide training to staff regarding implementation of the policy or procedure."

Blumont Response: Procedures over micro-purchases, in accordance with 2 CFR Part 200.320 are included in Blumont's policies, which were shared with the auditors during the audit. Blumont complies with its micro-purchase policy which does not allow for the splitting of purchases to mitigate procurement requirements. As discussed with the auditors, micro-purchases are used on a case-by-case basis. All procurements over the Simplified Acquisition Threshold (SAT) of [REDACTED] in the field office include competition and ensure an equitable and fair distribution to vendors. The vendors referenced in the Condition include all transactions that do not include a Purchase Order in Blumont's accounting system. A transaction without a Purchase Order does not necessarily indicate a micro-purchase as discussed with Crowe. This data was presented by month



and by vendor and includes a Grand Total for the fiscal year. Multiple micro purchases with the same vendor can occur and not be in violation of the procurement policies or the requirement to equitably distribute micro purchases. No supporting documentation was provided by the auditors to substantiate the Condition that the 45 vendors exceeding \$3k were inconsistent with Blumont's procurement procedures or the Uniform Guidance and the classification of all transactions without a Purchase Order inaccurately present the facts and does not support the assertion that costs for contractors exceeding \$3,000 are material. Crowe references micro purchase transactions with 568 contractors which support the equitable distribution of micro-purchases not a Material Weakness in internal control.

"Finding 2019-05: Incorrect Subrecipient-Contractor Determinations and Inaccurate Reporting of Subawards to the Government"

Recommendation: 1) Update their policies and/or procedures to require a detailed determination of each vendor based on the requirements in 2 CFR 200.300 Subrecipient and Contractor Determinations and provide training to personnel on how to make these determinations. 2) Perform a review of all entities listed in the subaward account and reconcile the account to only include those transactions related to entities determined to be subrecipients and implement monitoring process over the recording of subrecipient costs in the accounting system; 3) Implement a process to monitor the reporting of sub-recipient to the government and 4) Provide training to applicable personnel on the additional monitoring processes.

Blumont Response: Blumont disagrees with this recommendation. As discussed, and clarified in writing with the audit team, Blumont bases its determination of sub-contractor vs. sub-recipient using the agreed upon Scope of Work, i.e., the type of services and deliverables to be provided and the requirement for technical direction. Blumont adheres to ADS 304 guidance which we follow when a determination of instrument is made. Further, the USAID Agreement Officer is aware of Blumont's "sole" subcontractor and our files are documented; therefore, we do not agree that policies need to be updated. Further, Blumont reviews, monitors, and tracks entities listed in the prime award, as well as our sub-award account. Currently, COMAC has only one "Sub-Contractor", not a "Sub-Recipient".

"Finding 2019-06: Inadequate Monitoring Process Over Subrecipient Expenditures for Compliance with Audit Requirements"



Recommendation: 1) Revise its Sub-Awards Policy to include a procedure on the identification of when a recipient is subject to an audit and/or has triggered an audit requirement. 2) Provide training to its employees to effectively implement the revised Sub-Awards Policy.

Blumont Response: As discussed with the auditors, Blumont follows its Sub-Award Policy. Evidence of monitoring was provided to the auditors on the expired RSI sub-award; as was Blumont's Form A, which tracks sub-recipients federal spending if exceeding \$750,000 per year. COMAC had only one sub-recipient that was subject to a recipient-contracted audit.

Thank you for your consideration of our responses. Please let us know if you have any questions or require additional information.

Sincerely,

Kristan Beck

Kristan Beck
Chief Financial Officer

Cc: Lauren Camilli, General Counsel, Chief Compliance Officer
Eric Lundgren, VP, Global Programs
Zarko Draganic, Chief of Party, COMAC
Hani Takla, AVP, Contracts & Grants
Yousuf Shbair, Controller
Selyman Rastani, Sr. Project Accountant
Isaac Chipofya, DFA, COMAC
Zamir Hamnawa, Program Officer

APPENDIX B AUDITOR'S REBUTTAL

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management response of Blumont Global Development, Inc. ("Blumont" or "the auditee") responses to the draft report audit findings provided to Crowe on February 26, 2021. In consideration of those views, Crowe has included the following rebuttal to certain matters presented by the auditee. Crowe incorporates a rebuttal in those instances where management disagrees with the facts presented within the condition, does not concur with Crowe's recommendation, or provides additional documentation for review. In those instances where management either agrees with the finding or does not disagree with the facts in the finding, as presented, no rebuttal is provided. Using this framework, Crowe has incorporated six rebuttals to management's comments, below.

Finding 2019-01: Misstatements Identified in the Special Purpose Financial Statement and Note Disclosures

Blumont disagreed with the finding due to the finding being specific to the inconsistent presentation of the SIGAR audits and stated that "the Special Purpose Financial Statement (SPFS) was prepared consistent with the instructions provided during the 2018 SIGAR audit⁵ of the same project. The 2018 SIGAR auditors (Clifton, Larson, Allen), requested that the SPFS be prepared in a consistent manner to the expenditures reported on the Standard Form 425." They also indicated that, "The criteria used by Crowe to evaluate the SPFS is different than the 2018 SPFS criteria and was not initially communicated to Blumont." It is Blumont's responsibility to provide the SPFS and accompanying notes and it is our responsibility to perform the audit based on the information provided. On July 8, 2020, Blumont provided their Special Purpose Financial Statement and Notes to the SIGAR SPFS. Note 2 *Basis of Accounting*, as filled out by Blumont, stated that, "Revenues and expenditures reported on the Statement are reported on the *Accrual Basis*. "We performed our procedures utilizing the SPFS and accompanying notes as presented by Blumont. Blumont's later assertion that the SPFS was developed utilizing a different basis of accounting does not warrant altering our finding. We have reviewed management's response and noted that the response did not alter the facts underlying each finding. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate audit evidence to clear the reported matters, the finding has not been changed.

Finding 2019-02: Incomplete Property Records

Blumont disagreed with the finding because the items were donated to COMAC from other implementing partners without values and there was "no information regarding acquisition costs in existence." Blumont also stated that they had requested the information related to acquisition costs from the implementing partners, but the documentation was never provided. However, Blumont did not provide additional evidence to support this claim. Blumont also disagreed with the classification of the finding as a material weakness as it "is not possible for this finding to result in a material error and the current classification as a Material Weakness is unsupported by the facts." Blumont is responsible for the items and required to include acquisition costs in their property listing, including reporting the cost of the asset in accordance with 2 CFR 200, Uniform Guidance. Without being able to determine the financial impact due to the missing cost data, management cannot support materiality conclusions. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate audit evidence to clear the reported matters, the finding and its classification have not been changed.

Finding 2019-03: Eligibility Procedures Not Implemented as Designed

Blumont disagreed with the finding and stated that they provided the audit team expense vouchers that show the linkage to program disbursement. Crowe notes that Blumont provided expense vouchers related to two sampled incidents on November 4, 2020. However, as indicated in the finding, we requested details of the expenses related to the following noted discrepancies:

⁵ Blumont mistakenly cited SIGAR as the agency for who the referenced audit, and resulting report, was conducted on behalf of. However, the referenced audit was conducted on behalf of USAID's Office of Inspector General and not SIGAR.

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- Discrepancies in the Incident Reporting Forms (“IRF”) – Within five of the 60 incidents tested, the IRF was incomplete. Specifically, the IRFs did not contain incident information required by the COMAC [REDACTED] and [REDACTED]
 - For 14 of 60 incidents tested, evidence of the Deputy Chief of Party’s (“DCOP”) review and approval of the information indicated on the IRF was not provided. In each instance, Blumont provided evidence of a compensating control where an additional approval on a Procurement Requisition form, that includes the DCOP sign off, as part of the final procurement package is made once the final investigation and eligibility determination are completed.

Blumont did not address these discrepancies in their response nor did they provide a report documenting program funds disbursed in response to each of the above-referenced incidents or other such supporting documentation linking the incidents to program disbursements. Blumont also disagreed with the current classification of the finding as a material weakness. 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. Blumont was unable to support that their eligibility processes were contemporaneously conducted or provide financial details related to the identified incidents. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate audit evidence to clear the reported matters, the finding and its classification have not been changed.

Finding 2019-04: Inadequate Micro-Purchase Procurement Procedures

Blumont disagreed with the finding and discussed the procedures related to micro-purchases that are included in their policy. Blumont stated that, “All procurements over the Simplified Acquisition Threshold (SAT) of [REDACTED] in the field office include competition and ensure an equitable and fair distribution to vendors.” However, Blumont did not provide additional procedures for review, nor other language detailing how the equitable and fair distribution of those micro-purchases is accomplished included in the current policy, for. As indicated in the finding and based on information provided by Blumont, both the total value of micro-purchases [REDACTED] and the costs for contractors exceeding [REDACTED] in the aggregate [REDACTED] are material. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate audit evidence to clear the reported matters, the finding and its classification have not been changed.

Finding 2019-05: Incorrect Subrecipient-Contractor Determinations and Inaccurate Reporting of Subawards to the Government

We have reviewed Blumont’s response and noted it does not address how Blumont satisfied the requirements from 2 CFR 200.330 *Subrecipient and Contractor Determinations*. Blumont disagreed with the recommendation and stated that “bases its determination of sub-contractor vs. sub-recipient using the agreed upon Scope of Work, i.e., the type of services and deliverables to be provided and the requirement for technical direction.” Crowe notes that the Scope of Work was used as the basis for the determination; however, the scope of work by itself cannot be used to make that determination, and documentation to support those assertions at the time the determination was made were not available. Additionally, Blumont stated that “the USAID Agreement Officer is aware of Blumont’s “sole” subcontractor and our files are documented; therefore, we do not agree that policies need to be updated.” We appreciate that the USAID AO is aware of the “sole” subcontractor, but awareness is not relevant to the documentation that is required to support the determination made. Further, management indicated in their response, “Blumont reviews, monitors, and tracks entities listed in prime award, as well as our sub-award account. Currently, COMAC has only one “Sub-Contractor” not “Sub-Recipient.” Our finding discussed the improper classification and accounting for their sub-recipients. Blumont was awarded a cooperative agreement and not a contract. Therefore, Blumont could not technically have a sub-contractor and should classify and account for their vendors or subrecipients appropriately. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate audit evidence to clear the reported matters, the finding has not been changed.

Finding 2019-06: Inadequate Monitoring Process Over Subrecipient Expenditures for Compliance with Audit Requirements

Blumont disagreed with the finding and indicated that they provided evidence of monitoring on the expired RSI sub-award, as was Blumont's Form A, which tracks sub-recipients federal spending if exceeding \$750,000 per year. As previously discussed with Blumont after receiving such additional documentation, we stated that the procedures are lacking sufficient detail to document Blumont's procedures performed to determine if audit requirements were met. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate audit evidence to clear the reported matters, the finding has not been changed.

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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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