

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 23-07 Financial Audit

State's Weapons Removal and Abatement Program in Afghanistan: Audit of Costs Incurred by Mine Clearance Planning Agency



NOVEMBER
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On December 22, 2014, the U.S. Department of State (State) awarded a 1-year, \$505,254 grant to the Mine Clearance Planning Agency (MCPA) to support the Weapons Removal and Abatement Program in Afghanistan. The program's initial objective was to support a non-technical survey to reduce the threat of mines and explosive remnants of war across 13 provinces in Afghanistan. State modified the grant three times and issued four additional grants to MCPA to continue and expand activities. The modifications and additional grants increased the total MCPA grant funding to \$7,504,109, and extended the period of performance through July 15, 2021.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$6,860,773 in costs charged to the five grants from January 1, 2015, through July 15, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in MCPA's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreements and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether MCPA has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of MCPA'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. SIGAR's review disclosed no instances wherein Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

November 2022

State's Weapons Removal and Abatement Program: Audit of Costs Incurred by the Mine Clearance Planning Agency

SIGAR 23-07-FA

WHAT SIGAR FOUND

Crowe identified two deficiencies, four significant deficiencies, and three material weaknesses in MCPA's internal controls, as well as nine instances of noncompliance with the terms of the agreements. For example, the auditors found that MCPA was unable to provide procurement documentation for rental vehicles to demonstrate that incurred costs were reasonable. In one case, MCPA paid \$900 to \$1,500 per month to rent a Toyota Corolla manufactured between 1993 and 1996, monthly rental payments which, the auditors noted, often exceeded the vehicle's value. In addition, Crowe found that MCPA did not use a competitive procurement process for 15 of 65 transactions tested. As result, the auditors were unable to verify that the costs incurred were reasonable for items such as office supplies, office stationery, and uniforms. Furthermore, among other issues, the auditors found that MCPA did not maintain sufficient procurement records, did not comply with federal procurement requirements related to suspension and debarment, and overcharged indirect costs.

Because of these deficiencies in internal controls and instances of noncompliance, Crowe identified \$362,346 in total questioned costs, consisting of \$307,095 unsupported costs—costs not supported with adequate documentation or that do not have required prior approval—and \$55,251 ineligible costs—costs prohibited by the agreements and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Fringe Benefits	\$1,411	\$0	\$1,411
Travel	\$148	\$0	\$148
Indirect Charges	\$53,692	\$0	\$53,692
Procurement	\$0	\$307,095	\$307,095
Total Costs	\$55,251	\$307,095	\$362,346

Crowe identified three prior audit reports that were relevant to MCPA's agreements. Two of these reports had eight findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Crowe conducted follow-up procedures and concluded that MCPA had not taken adequate corrective action on six of the eight findings. Four findings related to procurement were repeated under this audit and the other two findings were not part of the scope of the audit.

Crowe issued a disclaimer of opinion on the SPFS because (1) MCPA did not provide adequate documentation to support full and open procurement competition, (2) MCPA did not provide adequate documentation or to show that prices were reasonable for a material number of expenditures, and (3) MCPA documentation revealed lack of management oversight or instances of potentially fraudulent activities.

WHAT SIGAR RECOMMENDS

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

- 1. Determine the allowability of and recover, as appropriate, \$362,346 in questioned costs identified in the report.**
- 2. Advise MCPA to address the report's nine internal control findings.**
- 3. Advise MCPA to address the report's nine noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

November 23, 2022

The Honorable Antony J. Blinken
Secretary of State

We contracted with Crowe LLP (Crowe) to audit the costs incurred by the Mine Clearance Planning Agency (MCPA) under multiple grant agreements from the U.S. Department of State (State) to support the Weapons Removal and Abatement program in Afghanistan.¹ The program's initial objective was to support a non-technical survey to reduce the threat of mines and explosive remnants of war across 13 provinces in Afghanistan. Crowe reviewed \$6,860,773 in costs charged to the agreements from January 1, 2015, through July 15, 2021. 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 State:

- 1. Determine the allowability of and recover, as appropriate, \$362,346 in questioned costs identified in the report.**
- 2. Advise MCPA to address the report's nine internal control findings.**
- 3. Advise MCPA to address the report's nine noncompliance findings.**

Crowe discusses the results of the audit in detail in the attached report. We reviewed Crowe's report and related documentation. We also inquired about Crowe's conclusions in the report and the firm's compliance with applicable standards. 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 MCPA's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Crowe is responsible for the attached auditor's report, dated June 9, 2022, and the conclusions expressed therein. However, our review disclosed no instances in which Crowe did not comply, in all material respects, with U.S. 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-218)

¹ The agreement numbers are S-PMWRA-15GR-1014, SPMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, and S-PMWRA-20GR-0050.

Mine Clearance Planning Agency (“MCPA”)

Weapons Removal and Abatement Program

Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050

Special Purpose Financial Statement

January 1, 2015 through July 15, 2021

(With Independent Auditor’s Report Thereon)

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TRANSMITTAL LETTER

May 27, 2022

To the Board of Directors and Management of the Mine Clearance Planning Agency ("MCPA")
Main Darulaman Road, Esteqlal Hospital Street
Kabul, Afghanistan

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

We are providing our report regarding the audit of the Special Purpose Financial Statement ("SPFS") applicable to the Mine Clearance Planning Agency, ("MCPA") grant numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050, funded by the Department of State ("State") to support the Weapons Removal and Abatement Program for the period January 1, 2015 through July 15, 2021.

Within the pages that follow we have provided a 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 MCPA, State and the Office of the Special Inspector General for Afghanistan Reconstruction, provided both in writing and orally throughout the audit planning and fieldwork phases. MCPA Management's final written responses are incorporated as Appendix A to this report.

Sincerely,

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

Bert Nuehring, CPA, Partner
Crowe LLP

Summary

Background

On December 22, 2014, the Department of State (“State”) issued grant agreement number S-PMWRA-15GR-1014, to the Mine Clearance Planning Agency (“MCPA”) to support the Weapons Removal and Abatement Program. MCPA is an Afghan Non-Governmental Organization who conducts minefield surveys and mine clearance activities. Between December 22, 2014 and June 26, 2020, State issued additional grant agreement numbers S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050, to MCPA, to further support the program. The grant agreements and modifications, their intended purpose, and the amounts obligated are summarized below:

Grant Number S-PMWRA-15-GR-1014	
Original Award	<ul style="list-style-type: none"> • Award Date: December 22, 2014 • Period of Performance: January 1, 2015 – December 31, 2015 • Purpose: To conduct a non-technical survey to reduce the threat of mines and ERW of 21 contaminated districts identified within 13 provinces of Afghanistan. • Obligated Amount: \$505,254
Mod-01	<ul style="list-style-type: none"> • Increase funding increment to MCPA by \$326,000, increasing amended total costs to \$831,254. • The Office of Weapons Removal and Abatement in the U.S. State Department’s Bureau of Political-Military Affairs (“PMWRA”) will award \$750,000. • Revised statement of objectives is attached. • Updated terms and conditions attached to reflect 2 CFR 200.
Mod-02	<ul style="list-style-type: none"> • Increase \$424,000 in Fiscal Year (“FY”)13/18 funding to support project “PMWRA FY 2015 Non-Technical Survey in Afghanistan”. • Total funding to this point is \$1,255,254. • All terms and conditions remain the same.
Mod-03	<ul style="list-style-type: none"> • Cost amendment to exercise Option Year 2. • Awarding \$500,000 in FY16/17 Nonproliferation, Anti-Terrorism, Demining and Related Programs Conventional Weapons Destruction Funding Foreign Affairs Overseas Contingency Operations (“NADR-CWD-OCO”) Afghanistan bilateral funds. • Update Statement of Objectives
Grant Number S-PMWRA-17-GR-1077	
Original Award	<ul style="list-style-type: none"> • Award Date: September 28, 2017 • Period of Performance: September 28, 2017 – July 27, 2018 • Purpose: To improve human security and socioeconomic conditions of affected communities in Logar Province by clearing landmines and other ERW. • Obligated Amount: \$610,000
Mod-01	<ul style="list-style-type: none"> • Update Statement of Objectives • No cost Amendment.
Grant Number S-PMWRA-18-GR-0020	
Original Award	<ul style="list-style-type: none"> • Award Date: May 14th, 2018 • Period of Performance: May 14th, 2018 – May 31st, 2022 • Purpose: To support “Conducting Non-Technical Survey in 20 Contaminated Districts Identified within 13 provinces of Afghanistan”. The Recipient shall collect up-to-date, reliable, and accurate data & information, to identify and confirm the actual scope and socio-economic impact of mines/ERWs within the districts identified. • Obligated Amount: \$500,000
Mod-01	<ul style="list-style-type: none"> • Amendment to realign budget. All terms and conditions remain the same. • Period of Performance: May 14th, 2018 – March 31st, 2019.

(Continued)

Grant Number S-PMWRA-18-GR-0020	
Mod-02	<ul style="list-style-type: none"> • Cost extension awarding \$500k in FY18 NADR CWD OCO funds for Afghanistan bringing total funds to \$1,000,000. • Extending the period of performance from March 31, 2019 to March 31, 2020. • Updated terms and conditions.
Mod-03	<ul style="list-style-type: none"> • Cost extension adding \$600,000 in FY19 NADR CWD funding bringing total funds to \$1.6 million. • Extending the period of performance from March 31, 2020 to March 31, 2021. • Update SOO and Incorporate revised Line Item Budget. • All other terms and conditions unchanged.
Mod-04	<ul style="list-style-type: none"> • Cost extension adding \$500,000 in FY20 NADR CWD funds bringing the total funds to \$2.1 million. • Extending the period of performance from March 31, 2020 to March 31, 2022. • Incorporate revised Line Item Budget and SOO. • All other terms and conditions remain unchanged.

Grant Number S-PMWRA-19-GR-0035	
Original Award	<ul style="list-style-type: none"> • Award Date: August 21, 2019 • Period of Performance: September 1, 2019 – April 15, 2020 • Purpose: To clear 1,391,324 square meters of contaminated land from 4 hazardous areas in Dehmena and Zarghun Shahr villages, of Muhammad Agha district. To train, equip and field 5 community-based demining teams (“CBD”) and 2 mechanical demining units (“MDU”) for 13.5 months. • Obligated Amount: \$508,000
Mod-01	<ul style="list-style-type: none"> • Incorporate revised Statement of Objectives (“SOO”) and Line Item budget (\$508,000 for FY18/19).
Mod-02	<ul style="list-style-type: none"> • Incorporate revised Line Item budget – no cost amendment, just a revised detailed budget.

Grant Number S-PMWRA-20-GR-0050	
Original Award	<ul style="list-style-type: none"> • Award Date: June 26, 2020 • Period of Performance: July 1, 2020 – July 15, 2021 • Purpose: To clear 20 hazards using 17 manual demining teams and 1 MDU, provide Explosive Ordnance Risk Education and Victim Data Collection and to conduct Community Liaison and handover of cleared land back to communities. • Obligated Amount: \$2,530,855

Crowe’s audit encompasses the period from January 1, 2015 through July 15, 2021. During this period, MCPA reported \$6,860,773 in total incurred costs.

(Continued)

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 grant numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, & S-PMWRA-20GR-0050 awarded to MCPA to support the weapons removal and abatement program for the period January 1, 2015 through July 15, 2021.

Objectives Defined by SIGAR

The following audit objectives were defined by the Special Inspector General for Afghanistan Reconstruction (“SIGAR”)

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether MCPA’s SPFS for the grants present fairly, in all material respects, revenues earned, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the grants and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

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

Audit Objective 3 – Compliance

Perform tests to determine whether MCPA complied, in all material respects, with the grant’s requirements and applicable laws and regulations and identify and report on instances of material noncompliance with terms of the grants 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 MCPA 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 scope of the audit included the period January 1, 2015 through July 15, 2021. The audit was limited to those matters and procedures pertinent to the grants that could 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 evaluating 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. The following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Costs and Activities
- Cash Management
- Procurement
- Reporting

(Continued)

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 grants; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the grants if the cost benefited multiple objectives; 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 MCPA during the audit period. To the extent documented policies and procedures were unavailable, Crowe conducted interviews with and sent questionnaires to 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 each grant. Crowe identified – through review and evaluation of the grants executed by and between State and MCPA – 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 ("AICPA"), Crowe selected transactions, cash advances, procurements, and reports for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess MCPA's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government at the de minimis rate of 10%.

Regarding Audit Objective 4, Crowe inquired of MCPA, SIGAR, and State 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. As a result of the aforementioned efforts, we identified three prior reports – two of which contained findings and recommendations. In each instance, Crowe reviewed prior audit reports to ascertain whether findings may be direct and material to the audit objectives. In any instances where findings may be direct and material to the audit objectives, Crowe reviewed the prior audit reports to determine whether corrective action from any of the prior findings and recommendations was denoted as unresolved, inadequate, or otherwise incomplete such that additional follow-up is necessary. 8 findings were identified that may be direct and material to the audit objectives and for which corrective action had not previously been deemed adequate. The reports are as follows:

1. SIGAR Audit 14-95-FA Audit of Costs Incurred Under Awards S-PMWRA-08-GR-004, S-PMWRA-09-GR-017, S-PMWRA-10-GR-009, S-PMWRA-10-GR-109, and S-PMWRA-11-GR-012;
2. External Auditing of Project titled "Community Based Demining Operations in Logar Province S-PMWRA-17-GR-1077;" and
3. External Auditing of Project titled "Community Based Demining Operations in Logar Province S-PMWRA-19-GR-0035."

(Continued)

Summary of Results

Upon completion of Crowe's procedures, Crowe identified 9 findings that meet 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 grants; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued a disclaimer of opinion on the SPFS as MCPA did not provide adequate documentation to support that full competition was utilized, and the price was reasonable, for a material number of expenditures tested. In addition, our review of the documentation provided in support of the procurements selected for testing revealed instances of potentially fraudulent activities. Further investigation into this matter has not been completed as of the date of this report. As such, we are unable to determine the impact of potentially fraudulent transactions on the nature, timing, and extent of our audit procedures.

Crowe also reported on both MCPA's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the grants. Three material weaknesses, four significant deficiencies, and two deficiencies in internal control were reported. In addition, nine instances of noncompliance with rules, laws, regulations, or the terms and conditions of the grants were reported.

Crowe reported \$362,346 in questioned costs. SIGAR requires questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by the grants or applicable laws and regulations, or that are unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or did not have the required prior approvals or authorizations. Crowe identified \$55,251 of ineligible costs and \$307,095 of unsupported costs as a result of our audit procedures.

Crowe also requested copies of prior audits, reviews, and evaluations from MCPA, State and SIGAR pertinent to these grants. We identified three prior audit reports, of which two contained eight findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Crowe conducted procedures to determine whether adequate corrective action had been taken on the findings. Crowe concluded that MCPA had not taken adequate corrective action on six of eight of the findings. Of those six findings that have not been remediated, we noted that four related to procurement were repeated under this audit and two have had no action taken. See **Section II: Summary Schedule of Prior Audit, Review, and Assessment of Findings**.

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

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2021-01	Unreasonable and Unsupported Vehicle Rentals Costs	Material Weakness and Noncompliance	\$192,926
2021-02	Use of Competitive Procurement Procedures for Miscellaneous Items not Substantiated	Material Weakness and Noncompliance	\$80,645
2021-03	Insufficient Procurement Records	Material Weakness and Noncompliance	\$64,233
2021-04	Indirect Costs Charged to the Award Not in Accordance with Modified Total Direct Cost (MTDC) Bases	Significant Deficiency and Noncompliance	\$22,827

(Continued)

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2021-05	Hazard Allowance Paid in Excess of Established Policies and Procedures	Significant Deficiency and Noncompliance	\$1,552
2021-06	Unallowable Costs Charged to Award for Cancelled Flight	Deficiency and Noncompliance	\$163
2021-07	Inaccurate Financial Data Reported in SF-425	Significant Deficiency and Noncompliance	\$0
2021-08	Untimely and Incomplete Programmatic Reports	Significant Deficiency and Noncompliance	\$0
2021-09	Misclassification of Costs Reported on SPFS	Deficiency and Noncompliance	\$0
Total Questioned Costs:			\$362,346

Summary of Management Comments

Of the 9 audit findings identified in our report, MCPA agreed with 3, partially agreed with 2, and disagreed with the remaining 4 audit findings. The following contains a summary of management's responses:

1. Finding 2021-01: MCPA disagreed with the finding and stated that the procurements in question were in compliance with relevant regulations and MCPA's internal procurement procedures. In addition, MCPA noted that some of these procurement costs were potentially elevated because of the nature of the dangerous working location.
2. Finding 2021-02: MCPA disagreed with the finding and stated that the procurements in question were in compliance with relevant regulations and MCPA's internal procurement procedures.
3. Finding 2021-03: MCPA disagreed with the finding and stated that the procurements in question were in compliance with relevant regulations and MCPA's internal procurement procedures. In addition, MCPA disagreed with the exclusions / restrictions identified by Crowe over entities MCPA conducted business with.
4. Finding 2021-04: MCPA agreed with the finding.
5. Finding 2021-05: MCPA partially agreed with the finding. MCPA stated that the activities performed were located in a dangerous area of the country and professionals would not work in that location for that rate stated in MCPA's administration manual.
6. Finding 2021-06: MCPA agreed with the finding.
7. Finding 2021-07: MCPA disagreed with the finding and stated that the amount Crowe reported as "recorded" is incorrect.
8. Finding 2021-08: MCPA agreed with the finding.
9. Finding 2021-09: MCPA partially agreed with the finding and stated that the donor agreed to the amounts within the proposed budget without exception.

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 and Management of Mine Clearance Planning Agency ("MCPA")
Isteqlal Hospital Street, Main Darulaman Road
Kabul, Afghanistan

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

Report on the Special Purpose Financial Statement

We were engaged to audit the Special Purpose Financial Statement ("Statement") of Mine Clearance Planning Agency, and related notes to the Statement, with respect to grant numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050, funded by the Department of State ("State") to support the Weapons Removal and Abatement Program, for the period January 1, 2015 through July 15, 2021.

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 and the terms and conditions of grant numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050 relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Special Purpose Financial Statement based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

MCPA did not provide adequate documentation to support that full competition was utilized, and the price paid was reasonable, for a material amount of costs tested (\$362,346). As a result, the expenditures incurred for rental vehicles and other miscellaneous supplies included in the Statement may have been procured in a manner that avoids full and open competition. We were also unable to determine whether these issues were the result of lack of management oversight or fraud, and there is a risk that MCPA may have fraudulently prepared the documentation supporting these competitive procurements by creating fictitious entities to "bid" on the procurement opportunities, at a higher price than the selected vendor. Further investigation into this matter has not been completed as of the date of this report. As such, we are unable to determine the impact of potentially fraudulent transactions on the nature, timing, and extent of our audit procedures.

(Continued)

Disclaimer of Opinion on the Special Purpose Financial Statement

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

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 of grant numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050 which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Restriction on Use

This report is intended for the information of MCPA, State, and 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 June 9, 2022, on our consideration of MCPA's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, grants, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 MCPA's internal control over financial reporting and compliance.

Crowe LLP

Washington, D.C.
June 9, 2022

Mine Clearance Planning Agency ("MCPA")
Special Purpose Financial Statement
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

	SPMWRA-15-GR-1014		SPMWRA-17-GR-1077		MWRA-18-GR-0020		SPMWRA-19-GR-0035		SPMWRA-20-GR-0050		Totals		Questioned Costs		
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Notes</u>
Revenues	\$ 1,755,254	\$ 1,755,254	\$ 610,000	\$ 610,000	\$ 1,600,000	\$ 1,457,735	\$ 508,000	\$ 508,000	\$ 2,530,855	\$ 2,530,855	\$ 7,004,109	\$ 6,862,993			
Exchange Gain/Loss		(1071)						536		1684					
Total Revenue	<u>1,755,254</u>	<u>1,754,183</u>	<u>610,000</u>	<u>610,000</u>	<u>1,600,000</u>	<u>1,457,735</u>	<u>508,000</u>	<u>508,536</u>	<u>2,530,855</u>	<u>2,532,539</u>	<u>7,004,109</u>	<u>6,862,993</u>			4
Costs Incurred															5
Personnel	452,428	476,099	252,314	260,967	632,374	586,194	194,976	194,665	1,070,855	1,089,627	2,602,948	2,607,551			
Fringe Benefits	378,123	362,520	169,962	166,951	322,160	285,572	133,703	134,493	733,209	712,483	1,737,157	1,662,019	1,411		E
Travel	50,929	39,964	2,805	6,352	13,704	11,163	1,835	1,369	22,620	24,369	91,892	83,217	148		F
Equipment	-	-	24,750	24,660	-	-	-	-	-	-	24,750	24,660			
Supplies	434,635	439,918	26,149	26,562	46,944	42,531	24,043	24,054	139,001	142,736	670,772	675,800			
Contractual	40,888	33,320	-	-	-	-	-	-	-	-	40,888	33,320			
Other	352,797	356,907	80,903	71,391	462,633	420,012	112,162	112,139	348,729	345,881	1,357,223	1,306,330		307,095	A, B, C
Indirect Charges	45,455	45,455	53,116	53,116	122,185	112,264	41,281	41,281	216,441	215,760	478,479	467,875	53,692		D
Total Costs Incurred	<u>1,755,254</u>	<u>1,754,183</u>	<u>610,000</u>	<u>610,000</u>	<u>1,600,000</u>	<u>1,457,735</u>	<u>508,000</u>	<u>508,000</u>	<u>2,530,855</u>	<u>2,530,855</u>	<u>7,004,109</u>	<u>6,860,773</u>			
Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 536</u>	<u>\$ 536</u>	<u>\$ 1,684</u>	<u>\$ 1,684</u>	<u>\$ 2,220</u>	<u>\$ 2,220</u>	<u>\$ 55,251</u>	<u>\$ 307,095</u>	6

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

Mine Clearance Planning Agency ("MCPA")
Notes to the SPECIAL PURPOSE FINANCIAL STATEMENT
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Note 1. Basis of Presentation

SPMWRA-15GR-1014

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under grant number SPMWRA-15-GR-1014 for the Non-Technical Survey for the period January 1, 2015 to December 31, 2017. Because the Statement presents only a selected portion of the operations of Mine Clearance Planning Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mine Clearance Planning Agency. 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 grant. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements

SPMWRA-17GR-1077

The accompanying Special Purpose Financial Statement includes costs incurred under Grant Number SPMWRA-17-GR-1077 for the "Community Based Demining Operations in Logar Province for the period September 28, 2017 to July 27, 2018. Because the Statement presents only a selected portion of the operations of Mine Clearance Planning Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mine Clearance Planning Agency. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction and is specific to the aforementioned Federal SPMWRA-17-GR-1077. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SPMWRA-19-GR-0035

The accompanying Special Purpose Financial Statement includes costs incurred under Grant Number SPMWRA-19-GR-0035 for the "Logar Community-Based Demining Project" for the period September 1, 2019 to October 15, 2020. Because the Statement presents only a selected portion of the operations of Mine Clearance Planning Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mine Clearance Planning Agency. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction and is specific to the aforementioned Federal SPMWRA-19-GR-0035. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SPMWRA-18GR-0020

The accompanying Special Purpose Financial Statement includes costs incurred under Grant Number SPMWRA-18-GR-0020 for the Non-Technical Survey for the period April 1, 2018 to February 28, 2021. Because the Statement presents only a selected portion of the operations of Mine Clearance Planning Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mine Clearance Planning Agency. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction and is specific to the aforementioned Federal SPMWRA-18-GR-0020. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SPMWRA-20GR-0050

The accompanying Special Purpose Financial Statement includes costs incurred under Grant Number SPMWRA-20-GR-0050 for the Project 29 & 33: Clearance in Baghlan and Nimroz Provinces for the period June 1, 2020 to July 15, 2021. Because the Statement presents only a selected portion of the operations of Mine Clearance Planning Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mine Clearance Planning Agency. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General

(Continued)

Mine Clearance Planning Agency (“MCPA”)
Notes to the SPECIAL PURPOSE FINANCIAL STATEMENT
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

for Afghanistan Reconstruction and is specific to the aforementioned Federal SPMWRA-20-GR-0050. 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

For all grants under audit, revenues and expenditures reported on the Statement are reported on the cash basis of accounting. Expenditures are recognized following the cost principles contained in 2 CFR Part 200 wherein certain types of expenditures are not allowable or are limited as to reimbursement

Note 3. Foreign Currency Translation Method

For all grants under audit, translations from local currency to United States dollars were required for purposes of preparing the Statement. Funds are received by MCPA in United States Dollars (“USD”) directly into the bank account. Transactions in currencies other than USD are translated to USD at the exchange rate prevailing in the market on the date of transaction. The gain or loss arising from such transactions are recorded as income or expense. For reporting purposes, the official United Nations (“UN”) operational rates of exchange have been used.

Note 4. Revenues

For all grants under audit, revenues on the Statement represent the amount of funds to which Mine Clearance Planning Agency is entitled to receive from the Department of State for allowable, eligible costs incurred under the grants during the period of performance.

Note 5. Costs Incurred by Budget Category

SPMWRA-15GR-1014

The budget categories presented, and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component amendment 003 and the Cost Extension of US DoS Non-Technical Survey Project (S-PMWRA-15-GR 1014) In Afghanistan, January 24, 2017.

SPMWRA-17GR-1077

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 grant agreement (SPMRWA-17GR-1077) dated September 28, 2017.

SPMWRA-19-GR-0035

The budget categories presented, and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component amendment 002 and the No Cost Extension of US DoS Logar Community-Based Demining Project (SPMWRA-19-GR-0035) In Afghanistan dated September 8, 2020.

SPMWRA-18GR-0020

The budget categories presented, and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component amendment 003 and the Cost Extension of US DoS Non-Technical Survey Project (S-PMWRA-18-GR 0020) In Afghanistan, dated March 6, 2020.

SPMWRA-20GR-0050

The budget categories presented, and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component amendment 001 and the No Cost Extension of US DoS Project 29 & 33: Clearance in Baghlan and Nimroz Provinces (SPMWRA-20-GR-0050) In Afghanistan dated May 13, 2021.

(Continued)

Mine Clearance Planning Agency ("MCPA")
Notes to the SPECIAL PURPOSE FINANCIAL STATEMENT
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

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 grants 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. Grants SPMWRA-15-GR-1014, SPMWRA-17GR-1077 and SPMWRA-GR18-0220 do not include a balance. Grant SPMWRA-19-GR-0035 and Grant SPMWRA-20GR-0050 includes a positive balance of \$536 and \$1,684, respectively, as a result of an exchange rate gain.

Note 7. Currency

For all grants under audit, all amounts presented are shown in U.S. dollars.

Note 8. Program Status

SPMWRA-15GR-1014

The agreement has been completed. The period of performance for the award was scheduled to conclude on December 31, 2017 as noted in amendment number 003, dated January 24, 2017. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of Cost amendment No.003 of SPMWRA-15-GR-1014.

SPMWRA-17GR-1077

The agreement has been completed. The period of performance for the award was scheduled to conclude on July 27, 2018 as noted in amendment number M001 dated June 29, 2018. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of No Cost Amendment-M001- SPMWRA-17-GR-1077.

SPMWRA-19-GR-0035

The agreement has been completed. The period of performance for the award was scheduled to conclude on October 15, 2020 as noted in amendment number M002 dated August 9, 2020. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of No Cost Extension-M002- SPMWRA-19-GR-0035.

SPMWRA-18GR-0020

The agreement remains active. The period of performance for the award was scheduled to conclude on May 31, 2022, as noted in amendment number M004 dated June 16, 2021. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of Cost Extension M004- SPMWRA-18-GR-0020.

SPMWRA-20GR-0050

The agreement has been completed. The period of performance for the award was scheduled to conclude on July 15, 2021 as noted in amendment number M001 dated May 13, 2021. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of No Cost Extension-M001- SPMWRA-20-GR-0050

Note 9. Reconciliation to Cumulative Draw Amounts

For grant SPMWRA-15-GR-1014, the balance of \$1,071 was adjusted against the exchange loss.

(Continued)

Mine Clearance Planning Agency (“MCPA”)
Notes to the SPECIAL PURPOSE FINANCIAL STATEMENT
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Note 10. COVID-19 Impact on the Program

For grants SPMWRA-15GR-1014 and SPMWRA-17GR-1077, the period of performance closed prior to the start of the COVID-19 pandemic. As a result, there was no impact on the program.

For grants SPMWRA-19-GR-0035, SPMWRA-18GR-0020, and SPMWRA-20GR-0050, COVID-19 posed health risks to the field staff and the communities where the operations were planned. These risks included getting infected/spreading infection which posed potential life-threatening health issues. As a result, the mentioned projects were approached with a lot of precaution and guidelines that were derived from World Health Organizations (“WHO”) guidance and the Afghanistan Ministry of Public Health (“MOPH”) advice. MCPA prepared its staff and its offices to be equipped with all necessary utilities and trained the staff on how to operate in areas with high risk and cases of COVID-19. The impact on the projects included slight delays due to modified approaches but MCPA managed to implement this project successfully.

Note 11. Security Impact in Afghanistan on the Program

For grants SPMWRA-15GR-1014, SPMWRA-17GR-1077, SPMWRA-19-GR-0035, and SPMWRA-20GR-0050 the awards period of performance closed prior to the start of the ongoing security situation in Afghanistan. As a result, there was no impact on the program.

For grant SPMWRA-18GR-0020, the current security situation in Afghanistan has only affected grant 18GR-0020. Due to banking issues the project has been suspended until further guidance is received from PM/WRA.

Note 12. Subsequent Events

For all grants under audit, Management has performed an analysis of the activities and transactions subsequent to the January 1, 2015 to July 15, 2021, period covered by the Statement. Management has performed their analysis through June 9, 2022.

(Continued)

Mine Clearance Planning Agency ("MCPA")
Notes to the Questioned Costs presented on the SPFS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

- A. Finding 2021-01 questioned \$175,387 as MCPA did not provide adequate documentation to verify that full competition was utilized and price was reasonable for transactions concerning vehicle rentals.
- B. Finding 2021-02 questioned \$73,314 as MCPA did not provide adequate documentation to verify that full competition was utilized and price was reasonable for transactions concerning miscellaneous items procured, including office supplies and uniforms.
- C. Finding 2021-03 questioned \$58,394 due to MCPA's lack of procurement records per CFR 200.318.
- D. Finding 2021-04 questioned \$22,827 as MCPA overcharged indirect costs and improperly included rental costs in the modified direct total cost base during its calculation of indirect costs. Additionally, \$30,865 of indirect costs associated with the findings identified in Notes A, B, C, and E and F are questioned. In total, \$53,692 of indirect costs are questioned.
- E. Finding 2021-05 questioned \$1,411 due to MCPA overcharging Hazard Allowances for their "Team Guards".
- F. Finding 2021-06 questioned \$148 as MCPA charged a cancelled flight ticket to the award.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management of Mine Clearance Planning Agency ("MCPA")
Isteqlal Hospital Street, Main Darulaman Road
Kabul, Afghanistan

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

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of MCPA and related notes to the Statement, with respect to grant numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050, funded by the Department of State ("State") to support the Weapons Removal and Abatement Program for the period January 1, 2015 through July 15, 2021. We have issued our report thereon dated June 9, 2022, within which we disclaimed an opinion as MCPA did not provide adequate documentation to support that full competition was utilized, and the price paid was reasonable, for a material amount of costs tested. As a result, the expenditures incurred for rental vehicles and other miscellaneous supplies included in the Statement may have been procured in a manner that avoids full and open competition. We were also unable to determine whether these issues were the result of lack of management oversight or fraud, and there is a risk that MCPA may have fraudulently prepared the documentation supporting these competitive procurements, by creating fictitious entities to "bid" on the procurement opportunities, at a higher price than the selected vendor. Further investigation into this matter has not been completed as of the date of this report. As result, we are unable to determine the impact of potentially fraudulent transactions on the nature, timing, and extent of our audit procedures.

Internal Control over Financial Reporting

MCPA's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the grants; and transactions are recorded properly to permit the preparation of the 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.

(Continued)

In planning and performing our audit of the Statement for the period January 1, 2015 to July 15, 2021, we considered MCPA's internal control over financial reporting (internal control) as a basis for designing 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 MCPA's internal control. Accordingly, we do not express an opinion on the effectiveness of MCPA'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 the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2021-01, 2021-02, and 2021-03, to be material weakness. In addition, we consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2021-04, 2021-05, 2021-07, and 2021-08 to be Significant Deficiencies. Lastly, we consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2021-06 and 2021-09 to be deficiencies.

MCPA's Responses to the Findings

MCPA's responses to the findings identified in our audit are described in Appendix A of this report. MCPA's responses were not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

Restriction on Use

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

Crowe LLP

June 9, 2022
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors and Management of Mine Clearance Planning Agency ("MCPA")
Isteqal Hospital Street, Main Darulaman Road
Kabul, Afghanistan

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

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of MCPA, and related notes to the Statement, with respect to grant numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050, funded by the Department of State ("State") to support the Weapons Removal and Abatement Program for the period January 1, 2015 through July 15, 2021. We have issued our report thereon dated June 9, 2022, within which we disclaimed an opinion as MCPA did not provide adequate documentation to support that full competition was utilized, and the price paid was reasonable, for a material amount of costs tested. As a result, the expenditures incurred for rental vehicles and other miscellaneous supplies included in the Statement may have been procured in a manner that avoids full and open competition. We were also unable to determine whether these issues were the result of lack of management oversight or fraud, and there is a risk that MCPA may have fraudulently prepared the documentation supporting these competitive procurements, by creating fictitious entities to "bid" on the procurement opportunities, at a higher price than the selected vendor. Further investigation into this matter has not been completed as of the date of this report. As result, we are unable to determine the impact of potentially fraudulent transactions the nature, timing, and extent of our audit procedures.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the grants are the responsibility of the management of MCPA.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and grants, noncompliance with which could have a direct and material effect on the Statement. 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 nine instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2021-01, 2021-02, 2021-03, 2021-04, 2021-05, 2021-06, 2021-07, 2021-08, and 2021-09.

(Continued)

MCPA's Responses to the Findings

MCPA's responses to the findings identified in our audit are described in Appendix A of this report. MCPA's responses were not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

Restriction on Use

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

Crowe LLP

June 9, 2022
Washington, D.C.

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

FINDING 2021-01: Unsupported and Unreasonable Vehicle Rentals Costs:

Material Weakness and Noncompliance

Condition: During our allowable cost testing of 80 samples, we noted that seven transactions totaling \$72,680 were not supported by adequate vendor procurement documentation to verify full competition was utilized and the price was reasonable. For example, we were unable to verify the existence of vendors included as losing bids. In addition, during our procurement testing we noted 15 items out of a sample of 65 transactions reviewed were for rental vehicles, totaling \$102,707, and determined they were not supported by adequate documentation to verify full competition was utilized and the price was reasonable. Because competitive procurement procedures could not be substantiated, we were unable to verify that the price paid for the rental vehicles was reasonable. Therefore, we identified \$175,387 of direct costs incurred for rental vehicles that were both unreasonable and unsupported by underlying records.

In addition, Crowe determined that the costs charged for each rental vehicle was more than what would be incurred by a prudent person, given the circumstances prevailing at the time the decision was made to rent the vehicles. We noted that MCPA was paying between \$900 to \$1,500 per month to rent a Toyota Corolla manufactured between 1993 and 1996. Based on our review of publicly available information these monthly rental payments often exceeded the entire value of the vehicle. See the tables below for more detail:

Rental Vehicle Samples					
No.	Grant	Date	Description	Cost per Rental Vehicle	Transaction Amount
1	15-GR	1/31/2016	Vehicle Rental Cost	\$1,500	\$18,000
2	15-GR	9/24/2017	NTS Team Rental Vehicle	\$1,400	\$12,600
3	15-GR	12/26/2017	NTS Team Rental Vehicle	\$1,400	\$12,600
4	18-GR	6/24/2019	NTS Team Rental Vehicle	\$1,050	\$6,480
5	18-GR	7/28/2020	NTS Team Rental Vehicle	\$1,050	\$6,480
6	18-GR	1/26/2021	NTS Team Rental Vehicle	\$1,050	\$2,520
7	20-GR	12/29/2020	Rental Vehicle for DTs	\$1,170	\$14,000
8	15-GR	2/29/2016	Vehicle Rental Cost	\$1,500	\$18,000
9	15-GR	8/27/2017	NTS Team Rental Vehicle	\$1,400	\$12,600
10	17-GR	1/31/2018	Vehicle Rent for DT	\$900	\$900
11	17-GR	10/31/2017	Vehicle Rent S.O	\$900	\$900
12	17-GR	7/25/2018	Vehicle Rent S.O	\$900	\$420
13	18-GR	8/27/2018	NTS Team Rental Vehicle	\$1,000	\$6,390
14	18-GR	10/29/2019	NTS Team Rental Vehicle	\$1,000	\$6,480
15	18-GR	10/11/2020	NTS Team Rental Vehicle	\$1,000	\$6,480
16	18-GR	4/30/2020	NTS Team Rental Vehicle	\$1,000	\$6,480
17	18-GR	10/23/2018	NTS Team Rental Vehicle	\$990	\$6,390
18	19-GR	12/31/2019	MDU Rent	\$4,000 ¹	\$6,667
19	19-GR	9/16/2020	MDU Rent	\$4,000 ²	\$8,000

¹ The vehicle in this sample is a Caterpillar 966F Wheel Loader. The price for this piece of construction equipment varies greatly.

² The vehicle in this sample is a Caterpillar 966F Wheel Loader. The price for this piece of construction equipment varies greatly.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Rental Vehicle Samples					
No.	Grant	Date	Description	Cost per Rental Vehicle	Transaction Amount
20	19-GR	9/20/2020	Rental vehicle for CBDTs & MDU	\$1,100	\$1,000
21	20-GR	1/26/2021	Rental Vehicle for DTs	\$1,170	\$14,000
22	20-GR	11/24/2020	Rental Vehicle for DTs	\$1,170	\$8,000
Total Questioned Costs					\$175,387

These issues were noted in 100% of rental vehicles sampled. These costs are not in question as they were not included in our sample. However, Crowe considers these to be likely questioned costs due to the nature and frequency of the exception in our testing. For reference, there are 149 rental vehicle transactions across all five grants under audit totaling \$925,440.

Vehicle Rental Costs for All Grants			
No.	Grant	Description	Transaction Amount
1	15-GR	36 transactions for rental vehicles	\$506,327
2	17-GR	30 transactions for rental vehicles	\$24,660
3	18-GR	35 transactions for rental vehicles	\$225,720
4	19-GR	22 transactions for rental vehicles	\$11,233
5	20-GR	26 transactions for rental vehicles	\$157,500
Total Vehicle Rental Costs			\$925,440

Crowe also noted that 20 of 22 (91%) of the rental vehicles sampled stated in their rental vehicle agreement that Petroleum, Oil, & Lubricants ("POL") costs are to be "Borne by the contractor". Despite such language in the rental agreement, we noted a total of 373 vehicle POL transactions across all five grants totaling \$244,999. More importantly, we noted that for 100% (22 out of 22) of POL transactions sampled, there was not a separate price analysis performed to document the reasonableness of the POL included in the vehicle rental agreement. These costs are not in question as they were not included in our sample. However, Crowe considers these to be likely questioned costs due to the nature and frequency of the exception in our testing. See the table below for a breakdown of cost per grant for rental vehicle costs:

Petroleum, Oil, & Lubricants Costs for All Grants			
No.	Grant	Description	Transaction Amount
1	15-GR	79 transactions for Petroleum, Oil, & Lubricants	\$14,260
2	17-GR	68 transactions for Petroleum, Oil, & Lubricants	\$25,315
3	18-GR	75 transactions for Petroleum, Oil, & Lubricants	\$97,133
4	19-GR	56 transactions for Petroleum, Oil, & Lubricants	\$20,329
5	20-GR	95 transactions for Petroleum, Oil, & Lubricants	\$87,962
Total POL Costs			\$244,999

Crowe notes that \$175,387 of direct costs are questioned in this audit finding. As a result, an additional \$17,539 of indirect costs are in question. In total, \$192,926 are questioned.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Criteria:

1. 2 CFR 200.403(a), *Factors affecting allowability of costs*, states, that for a cost to be allowable it must, "(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. "
2. 2 CFR § 200.404 *Reasonable costs*. "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded..."
3. 2 CFR 200.318(i), *General procurement standards*, states, "The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."
4. 2 CFR 200.324(a), *Contract cost and price*, states, "The non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals."
5. MCPA's Internal Controls surrounding Procurement Procedures, Section 4.c.iii. "A minimum of three quotations are to be obtained, the lowers quotation per the comparative statement is to be the procured item"
6. MCPA's Internal Controls surrounding Procurement Procedures, Section 4.c.iv. "The comparative statement is to be duly approved by the Director of MCPA"

Questioned Costs: \$192,926

Effect: The government may have been over-charged for the identified procurements, as appropriate documentation, including but not limited to an independent cost estimate , was not provided to support that the costs paid were reasonable.

Cause: MCPA's Internal Controls regarding Procurement Procedures were not followed to ensure that costs were reasonable as documented by full competition; furthermore, MCPA's procedures did not specify when an independent cost estimate must be performed. As a result, MCPA did not perform an independent cost estimate for any of the rental vehicle procurements, including those that exceeded the simplified acquisition threshold.

Recommendation: We recommend MCPA:

1. Reimburse the U.S. Government for the identified \$192,926 in known questioned costs related to the identified vehicle rentals.
2. MCPA should also either reimburse the petroleum, oil and lubricants costs that should have been included as part of the original vehicle rental procurement or provide support that clarifies which additional vehicles those costs should have been attributed to.
3. Update agency procedures to include guidance on when to perform an independent cost estimate.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Finding 2021-02: Use of Competitive Procurement Procedures for Miscellaneous Items not Substantiated:

Material Weakness and Noncompliance

Condition: We noted 15 out of 65 transactions tested, totaling \$73,314, included costs unsupported by adequate vendor procurement documentation verifying that full competition was utilized. These transactions procured office supplies, office stationary, and uniforms. Because competitive procurement procedures could not be substantiated, we were unable to verify that the price paid was reasonable. See the list below for a breakdown of questioned cost per grant:

Procurement Samples				
No.	Grant	Date	Description	Transaction Amount
5	15-GR	12/31/2015	Stationaries and Office Supplies	\$1,450
8	15-GR	5/24/2017	Uniform and bedding	\$1,551
18	17-GR	11/29/2017	Uniforms/Bedding (DT)	\$4,925
24	17-GR	11/29/2017	MCPA Vehicle Maintenance Including spare parts	\$2,204
25	17-GR	6/30/2018	MCPA Vehicle Maintenance Including spare parts	\$1,968
28	18-GR	6/30/2018	Uniform & Bedding	\$3,341
29	18-GR	8/28/2019	Team Supplies	\$1,041
31	18-GR	9/30/2018	Stationary	\$911
42	19-GR	11/30/2019	Uniform and bedding	\$6,407
45	19-GR	8/17/2020	Repair & Maintenance cost for CBDTs & MDUs Vehicle	\$1,460
53	20-GR	7/15/2020	Stationary (DT)	\$1,551
55	20-GR	7/19/2020	Uniform (per member)	\$15,449
56	20-GR	7/15/2020	Bedding (per member)	\$21,305
58	20-GR	10/25/2020	Team supplies (DTs)	\$5,686
64	20-GR	9/27/2020	Repair & Maintenance Cost of DTs Vehicle	\$4,065
Total Questioned Costs				\$73,314

Crowe notes that \$73,314 of direct costs are questioned from this audit finding. As a result, an additional \$7,331 of indirect costs are in question. In total, \$80,645 are questioned.

Criteria:

1. 2 CFR 200.403(a), *Factors affecting allowability of costs*, states, that for a cost to be allowable it must , "(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. "
2. 2 CFR § 200.404 *Reasonable costs*. "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded..."

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

3. 2 CFR 200.318(i), General procurement standards, states, "The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."
4. 2 CFR 200.324(a), Contract cost and price, states, "The non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals."
5. MCPA's Internal Controls surrounding Procurement Procedures, Section 4.c.iii. "A minimum of three quotations are to be obtained, the lowest quotation per the comparative statement is to be the procured item."
6. MCPA's Internal Controls surrounding Procurement Procedures, Section 4.c.iv. "The comparative statement is to be duly approved by the Director of MCPA."

Questioned Costs: \$80,645

Effect: The U.S. government may have overpaid for the identified procurements.

Cause:

MCPA's internal controls concerning procurement procedures were not followed to ensure that costs were reasonable as documented by full competition; furthermore, MCPA's procedures did not specify when an independent cost estimate must be performed. As a result, MCPA did not perform an independent cost estimate for any of the identified procurements (for items such as uniforms and stationary), including those that exceeded the simplified acquisition threshold.

Recommendation: We recommend MCPA:

1. Reimburse the U.S. government for identified \$80,645 in total questioned costs which cannot be supported as reasonable costs supported by legitimate procurements.
2. Update company's procedures to provide guidance on when an independent cost estimate should be performed.

(Continued)

Mine Clearance Planning Agency (“MCPA”)
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Finding 2021-03: Insufficient Procurement Documentation Records:

Material Weakness and Noncompliance

Condition: During our audit procedures we noted:

Inadequate Procurement Population Details

MPCA did not maintain sufficient procurement records and did not comply with federal procurement requirements for suspension and debarment or contractual flow down requirements. Crowe requested a complete record of all formal procurements made during the audit period. MPCA provided a listing from the general ledger of expenditures incurred for goods or services. The listing, however, did not provide information on either the vendor selection or the basis for the contract price.

Insufficient Procurement Records

During our procurement testing we noted that in 1 out of 80 allowable cost samples and 2 out of 65 procurement samples for rental cars, the procurements were awarded to a group of individuals without support for how the reasonableness of the price was determined. No comparative statement was included in support of these samples to show that price was considered. Additionally, we noted that in 3 out of 65 procurement samples, MCPA did not provide any information on need, price, or rationale for procurement.

In addition, Crowe determined that the costs charged for each rental vehicle were more than a prudent person would incur at the time the procurement decision was made. We noted that MCPA was paying \$1,500 per month to individuals for a Toyota Corolla manufactured between 1993 and 1996. Based on our review of publicly available information, these monthly rental payments often exceeded the entire value of the vehicle. These costs are questioned costs as noted below:

Rental Vehicle Samples				
No.	Date	Purpose	Cost per Rental Vehicle	Transaction Amount
7	5/31/2015	Vehicle Rental Cost	\$1,500	\$13,500
9	3/31/2015	Vehicle Rental Cost	\$1,500	\$27,000
10	4/30/2015	Vehicle Rental Cost	\$1,500	\$13,500
50	8/31/2020	Rental vehicle for CBDTs & MDU	Not provided	\$1,983
59	6/29/2021	Explosive Management Cost	Not provided	\$1,411
60	2/22/2021	Rental Vehicle for Site office	Not provided	\$1,000
Total Questioned Costs				\$58,394

Absent Flow-Down Requirements.

Crowe also noted that MCPA did not appropriately address the non-federal entity flow down requirement stated in section VI of the U.S. Department of State Standard Terms and Conditions – “Non-Federal Entity Responsibilities and Compliance with Federal Requirements” in their contracts. Specifically, the terms and conditions of the agreement and the cost principles applicable to 2 CFR 200 were not included in 56 out of 65 subcontracts we tested.

Crowe notes that \$58,394 of direct costs are questioned. As a result, an additional \$5,839 of indirect costs are also in question. In total, \$64,233 are questioned.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Criteria:

1. 2 CFR 200.403(a), *Factors affecting allowability of costs*, states, that for a cost to be allowable it must, "(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. "
2. 2 CFR § 200.404 *Reasonable costs*. "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded..."
3. 2 CFR 200.318(i), *General procurement standards*, states, "The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."
4. MCPA's Internal Controls surrounding Procurement Procedures, Section 4.c.iii. "A minimum of three quotations are to be obtained, the lowest quotation per the comparative statement is to be the procured item."
5. MCPA's Internal Controls surrounding Procurement Procedures, Section 4.c.iv. "The comparative statement is to be duly approved by the Director of MCPA."
6. The Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, Section A.2 states "To be allowable under an award, costs must meet the following general criteria:
 - a. Be reasonable for the performance of the award and be allocable thereto under these principles.
 - b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
 - c. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.
 - d. Be accorded consistent treatment.
 - e. Be determined in accordance with generally accepted accounting principles (GAAP).
 - f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
 - g. Be adequately documented."

Questioned Costs: \$64,233

Effect: U. S. Government may have overpaid for the identified procurements. In addition, MCPA is awarding funds to entities that are prohibited from doing business with the U. S. government.

Cause: MCPA employees are not sufficiently trained on how to carry out the activities specified in MCPA's Internal Control Policy Surrounding Procurement Procedures.

In addition, MCPA's Procurement Procedures were inadequately designed. The procedures state in Section 4 that the procurement person must "Carry out the vetting mechanism through SAM.gov and UN.org before the procurement and print the vetting results." However, this procedure did not stipulate which activities should be performed if one of the vetting searches shows the entity is suspended or debarred.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Recommendation: We recommend MCPA:

1. Reimburse the U.S. Government for the identified \$64,233 in questioned costs.
2. Provide all employees involved in procurement activities training on the documentation requirements needed to support the procurement price and rationale.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Finding 2021-04: Indirect Costs Charged to the Award Not in Accordance with Modified Total Direct Cost (MTDC) Bases:

Significant Deficiency and Noncompliance

Condition: Crowe utilized MCPA's general ledgers to re-calculate the MTDC bases and the actual amount of indirect costs that were charged to the award. Crowe noted that the MTDC base for all grants was \$4,667,968, and \$467,876 in indirect costs were charged. The total indirect costs—10 percent of the total grants amount—should have been \$467,797. Therefore, \$1,079 was overcharged to the government. The \$1,079 includes \$106 of indirect cost that was undercharged on grant no. SPMRWA-18GR-0020. The amount of indirect cost undercharged will be removed from our calculation of total questioned costs. As a result, \$1,185 are questioned. See the table below for the breakdown.

Grant No.	Direct Costs Incurred	MTDC Base per Support Provided	De Minimis 10% of MTDC	Indirect Cost Charged	Indirect Cost Overcharged (a)
15-GR	\$454,545	\$454,545	\$45,455	\$45,455	\$-
17-GR	\$556,884	\$532,224	\$53,222	\$53,116	\$-
18-GR	\$1,345,471	\$1,110,914	\$111,091	\$112,264	\$1,173
19-GR	\$466,719	\$412,689	\$41,269	\$41,281	\$12
20-GR	\$2,315,095	\$2,157,596	\$215,760	\$215,760	\$-
Total	\$5,138,714	\$4,667,968	\$466,797	\$467,876	\$1,185

In addition, Crowe noted that MCPA did not appropriately exclude all rental costs from the MTDC bases prior to the application of the 10% de minimis rate for each of the grants listed in the table below. Rental costs that were not correctly excluded from the MTDC base equaled \$216,415, which results in overcharging indirect costs by an additional \$21,642.

Grant No.	Direct Costs Incurred	Rental Costs to Be Excluded MTDC Base	Correct MTDC Base	Indirect Cost Charged	Correct Indirect Cost	Indirect Cost Overcharged (b)
15-GR	\$454,545	\$164,160	\$290,385	\$45,455	\$29,039	\$16,416
17-GR	\$556,884	\$29,093	\$527,791	\$53,116	\$52,779	\$443
18-GR	\$1,345,471	\$255,263	\$1,090,208	\$112,264	\$109,021	\$2,071
19-GR	\$466,719	\$57,428	\$409,291	\$41,281	\$40,929	\$340
20-GR	\$2,315,095	\$181,217	\$2,133,878	\$215,760	\$213,388	\$2,372
Total	\$5,138,714	\$687,161	\$4,451,553	\$467,876	\$445,155	\$21,642

In total, Indirect Costs are overcharged by \$22,827, as noted in the table below.

Grant No.	(a)	(b)	Total Questioned Cost
15-GR	\$-	\$16,416	\$16,416
17-GR	\$-	\$443	\$443
18-GR	\$1,173	\$2,071	\$3,244
19-GR	\$12	\$340	\$352
20-GR	\$-	\$2,372	\$2,372
Total	\$1,185	\$21,642	\$22,827

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Criteria: CFR 200.68, Modified Total Direct Cost (MTDC), states, "MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs."

In addition, The Office of Management and Budget (OMB) Circular A-122, Cost Principles for Non-Profit Organizations, Attachment A, Section A.2 states "To be allowable under an award, costs must meet the following general criteria:

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

Questioned Costs: \$22,827

Effect: The government may have paid for items or activities that it should not have.

Cause: MCPA did not have policies and procedures explaining how indirect costs should be charged to an award. Specifically, MCPA did not have established procedures to identify which types of costs should be excluded from the MTDC base when calculating indirect costs.

Recommendation: We recommend MCPA:

1. Reimburse the U.S. Government for the identified \$22,827 in questioned costs plus additional amounts for disallowed costs identified during audit resolution.
2. Develop policies and procedures that address the process of calculating and charging indirect costs.

(Continued)

Mine Clearance Planning Agency (“MCPA”)
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Finding 2021-05: Hazard Allowance Paid in Excess of Established Policies and Procedures:

Significant Deficiency and Noncompliance

Condition: Of the 80 total allowable cost samples, 1 expense for “Hazard Pay Allowances” were incurred by employees in excess of the daily rate allotted to the position “team guards”, per MCPA policy. Specifically, we noted that in section 2.1.23 of MCPA’s Administration Manual, team guards should receive daily Hazard Allowance Pay of \$1.25. However, we noted that team guards were receiving a flat rate of \$6 per day when we reviewed the documentation supporting the Hazard Allowance expenditure. Crowe calculated the difference in these daily rates charged to determine the questioned costs, as noted in the table below:

Hazard Allowance Calculation						
A. Team Guards in the Sample	B. Days Worked in Hazard Conditions	C. Actual Daily Rate Charged	A*B*C = Actual Team Guards Hazard Cost Charged	D. Correct Daily Rate	A*B*D = Correct Team Guards Hazard Cost	Questioned Cost
11	27	\$6	\$1,782	\$1.25	\$371	\$1,411

Crowe questions \$1,411 of direct costs. As a result, an additional \$141 of indirect cost are also questioned. In total, \$1,552 are questioned.

Criteria:

1. 2 CFR 200.403, Factors affecting allowability of costs, states, “Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity...”
2. Section 2.1.23 of MCPA’s Administration Manual states that team guards should receive a daily Hazard Allowance rate of \$1.25

Questioned Costs: \$1,552

Effect: The government overpaid MCPA for team guards hazard duty by \$1,552.

Cause: Section 2.1.23 of MCPA’s Administration Manual states the daily hazard allowance rates certain team members should receive. However, it does not establish a procedure for the Finance Department to verify that the daily hazard allowance rates were correct, based on the employees’ position, prior to payment.

Recommendation: We recommend MCPA:

1. Reimburse the U.S. Government for the identified \$1,552 in questioned costs in this finding.
2. Update the Administration Manual to incorporate a review process of the daily hazard allowance rates applied to employees, prior to paying those employees.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Finding 2021-06: Unallowable Costs Charged to Award for Cancelled Flight

Deficiency and Noncompliance

Condition: We noted that MCPA reported and charged costs for a cancelled flight to award number SPMRWA-18GR-0020 for a total of \$148.

Crowe notes that \$148 of direct costs are questioned. As a result, an additional \$15 of indirect cost are in question. In total, \$163 are questioned.

Criteria:

1. 2 CFR 200.403(a), Factors affecting allowability of costs, states, For costs to be allowable they must "...Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles."
2. MCPA Travel Policy – "a Reimbursement Voucher is to be properly filled, signed, and then submitted to the admin section (department) along with a copy of the approved Travel Authorization Form, for submission to the Finance section for payment."

Questioned Costs: \$163

Effect: The U.S. government overpaid \$163 to grant no. SPMRWA-18GR-0020.

Cause: Neither the Administrative nor the Finance Departments were tasked with reviewing the travel vouchers to verify that only actual expenses incurred were reimbursed, instead of the original travel authorization dollar amount.

Recommendation: We recommend MCPA:

1. Reimburse the U.S. government for the identified \$163 in questioned costs in this finding.
2. Update organization travel procedures to include steps to guide Finance Department checks on the Reimbursement Voucher to verify that only the expenditures actually incurred are reimbursed.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Finding 2021-07: Inaccurate Financial Data Reported in SF-425 Reports:

Significant Deficiency and Noncompliance

Condition: Crowe performed manual reconciliations of the financial data appearing in the sampled SF-425 reports to the underlying general ledgers supporting the reported costs. Through these procedures, Crowe noted that the SF-425 reported \$179,038 more in expenditures than the supporting accounting records. The overages in the SF-425 were not questioned as they have no impact on the accounting records supporting the Special Purpose Financial Statement. Please see details for additional detail on over reported amounts by grant:

SF-425 Reporting					
No.	Grant	Quarter-End Date	Reported on SF-425	Recorded in Accounting Records	Over-stated Amount
1	17-GR	6/30/2018	\$549,000	\$514,748	\$34,252
2	18-GR	12/31/2020	\$1,379,622	\$1,273,870	\$105,752
3	19-GR	9/30/2020	\$460,513	\$421,479	\$39,034
Total Amount					\$179,038

Additionally, Crowe noted that indirect costs were not included in the SF-425 in 5 of 5 financial reports samples.

Criteria: 2 CFR 200.302(a), Financial management, "...The non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."

Questioned Costs: \$0

Effect: Financial records provided to the U.S. government were inaccurate, leaving the Department of State, as the funding agency, unable to accurately track the amount of program expenditures.

Cause: MCPA's policies and procedures addressing reporting did not address any aspect of the SF-425 preparation. Specifically, the policies and procedures did not address who should prepare the report, what needs to be included in the report, or how the financial information was derived.

Recommendation: We recommend MCPA develop and implement policies and procedures and train appropriate personnel on the preparation and submission of SF-425 reports.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Finding 2021-08: Untimely and Incomplete Financial and Program Reports

Significant Deficiency and Noncompliance

Condition: Crowe determined that one (1) out of five (5) of the performance reports required were not submitted by the required deadline of 90 days after the award period end date for grant S-PMWRA-19-GR-0035. See the table below:

Reporting Sample					
Report Type	Frequency	Grant No.	Required Reporting Deadline	Report Submission Deadline	Submission Date of Report
Programmatic	Final Report	19-GR	90 days after the award period end date of October 15 th , 2020.	January 15 th , 2021	February 23 rd , 2021

Additionally, Crowe noted five (5) out of five (5) quarterly and final performance reports selected for testing did not include a detailed line-item breakdown of actual vs. intended expenditures as required by section 8 of grants S-PMWRA-15-GR-1014, S-PMWRA-17-GR-1077, SPMWRA-18GR-0020, S-PMWRA-19-GR-0035, & 12 of grant agreement S-PMWRA-20-0050.

Criteria: The Grant Agreements required the following in their *Reporting and Monitoring* and *Special Award Condition* Sections:

1. "the final certified financial report and program were submitted to the Grants or Principal Officer within ninety (90) days after the award period end date;" and
2. "the quarterly and final narrative reports submitted should include a detailed line-item breakout of actual vs. intended expenditures."

Questioned Costs: \$0

Effect: The federal government may not be receiving important information on award performance.

Cause: MCPA did not have procedures that address financial and program reporting requirements.

Recommendation: We recommend MCPA develop and implement procedures addressing program and financial reporting and train appropriate personnel on these procedures.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

FINDING 2021-09: Misclassification of Costs Reported on SPFS:

Deficiency and Noncompliance

Condition: MCPA misclassified \$24,660 of vehicle rental costs reported under the Equipment line item for grant number SPMWRA-GR17-1077. As described in section 16e to the grant agreement, equipment is defined as non-expendable personal property having a useful life of more than one year and an acquisition cost or \$5,000 per unit. In this instance, the cost for the rental of the vehicles in the amount of \$24,660 was broken down between 30 individual transactions that do not have a per unit cost more than the threshold required to report the costs as equipment. Additionally, MCPA incurred vehicle rental costs of the same nature under each of the other grants under audit, and they did not classify those expenditures as being incurred for equipment.

Criteria: 2 CFR 200.403(c), Factors affecting allowability of costs, states, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity."

2 CFR 200.439(b)(2), Equipment and other capital expenditures, states, "Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity."

Questioned Costs: \$0

Effect: The government lacks accurate financial information on the amount and value of equipment funded by the grant. .

Cause: MCPA did not have established procedures concerning the treatment of equipment.

Recommendation: We recommend MCPA develop and implement procedures then train appropriate personnel on procedures that address the proper classification of equipment when identifying costs. These policies and procedures should include all Federal requirements applicable to equipment.

Mine Clearance Planning Agency ("MCPA")
SECTION II: SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT OF FINDINGS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Crowe obtained three prior audits, reviews, or assessment reports from MCPA, State and SIGAR pertaining to these grants. We identified three prior audit reports, of which two contained eight findings that were direct and material to the Special Purpose Financial Statement ("SPFS") or other financial information significant to the audit objectives. We conducted procedures to determine whether adequate corrective action had been taken on the findings. Crowe concluded that MCPA had not taken adequate corrective action on six of eight of the findings. Of those six findings that have not been remediated, we noted that four related to procurement were repeated under this audit and two have had no action taken. In addition, we reviewed the auditors' comments regarding the status of prior audit findings.

The reports reviewed by Crowe are listed below:

1. SIGAR Audit 14-95-FA Audit of Costs Incurred Under DOS Grants S-PMWRA-08-GR-004, S-PMWRA-09-GR-017, S-PMWRA-10-GR-009, S-PMWRA-10-GR-109, and S-PMWRA-11-GR-012;
2. External Auditing of Project titled "Community Based Demining Operations in Logar Province S-PMWRA-17-GR-1077;" and
3. External Auditing of Project titled "Community Based Demining Operations in Logar Province S-PMWRA-19-GR-0035."

Per our review of the reports, Crowe identified 8 prior findings that required follow up on corrective action.

1. Finding 2014-01: Procurement Price Analysis:

Report: SIGAR Audit 14-95-FA Audit of Costs Incurred Under DOS Grants S-PMWRA-08-GR-004, S-PMWRA-09-GR-017, S-PMWRA-10-GR-009, S-PMWRA-10-GR-109, and S-PMWRA-11-GR-012 for the period 4/1/2008 through 3/31/2013.

Issue: Significant Deficiency as MCPA did not maintain sufficient internal controls over procurement price analysis for goods purchased under the award. As a result, \$272,520 in ineligible costs were questioned.

Status: Crowe noted that MCPA now incorporates a Procurement Package Checklist into their procurements guidance, in response to finding 2014-01. However, we have determined that the issue has not been effectively addressed and remains a problem. Specifically, as noted in the findings 2021-01, 2021-02, and 2021-03 above, MCPA's internal controls concerning procurement activities did not ensure procedures were effective. .

2. Finding 2014-02: Financial Reporting for Equipment:

Report: SIGAR Audit 14-95-FA Audit of Costs Incurred Under DOS Grants S-PMWRA-08-GR-004, S-PMWRA-09-GR-017, S-PMWRA-10-GR-009, S-PMWRA-10-GR-109, and S-PMWRA-11-GR-012 for the period 4/1/2008 through 3/31/2013.

Issue: Significant Deficiency as MCPA did not maintain sufficient internal controls over equipment procurements for goods purchased under the award. As a result, \$353,924 in ineligible costs were questioned.

Status: Crowe noted that MCPA now incorporates a Procurement Package Checklist into their Procurements, in response to finding 2014-02. However, we have determined the issue has not been effectively addressed and remains a problem. Specifically, as noted in finding 2021-01, we determined that for 10 of 22 Rental Vehicle Procurements, inconsistencies among price, quantity, and time horizon existed across quotations, invoices, comparative statements, and contracts.

(Continued)

Mine Clearance Planning Agency (“MCPA”)
SECTION II: SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT OF FINDINGS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

This demonstrates that management did not maintain adequate supporting documentation to evaluate whether the costs incurred were allowable.

3. Finding 2014-03: Lack of Internal Controls over Purchase Requisition Forms:

Report: SIGAR Audit 14-95-FA Audit of Costs Incurred Under DOS Grants S-PMWRA-08-GR-004, S-PMWRA-09-GR-017, S-PMWRA-10-GR-009, S-PMWRA-10-GR-109, and S-PMWRA-11-GR-012 for the period 4/1/2008 through 3/31/2013.

Issue: Significant Deficiency as MCPA did not maintain sufficient internal controls over purchase requisition forms for goods under the award. As a result, \$217,281 in ineligible costs were questioned.

Status: Crowe noted that MCPA now incorporates a Procurement Package Checklist into their Procurements, in response to finding 2014-03. However, However, we have determined the issue has not been effectively addressed and remains a problem. Specifically, as noted in finding 2021-01, we determined that for 10 of 22 Rental Vehicle Procurements, inconsistencies among price, quantity, and time horizon were identified across quotations, invoices, comparative statements, and contracts.

4. Finding 2014-04: Lack of Internal Controls over Vendor Selection Process:

Report: SIGAR Audit 14-95-FA Audit of Costs Incurred Under DOS Grants S-PMWRA-08-GR-004, S-PMWRA-09-GR-017, S-PMWRA-10-GR-009, S-PMWRA-10-GR-109, and S-PMWRA-11-GR-012 for the period 4/1/2008 through 3/31/2013.

Issue: Significant Deficiency as MCPA did not maintain sufficient internal controls over the selection process for procurement of goods under the award. As a result, \$24,449 in ineligible costs were questioned.

Status: Crowe noted that MCPA now incorporates a Procurement Package Checklist into their Procurements, in response to finding 2014-04. Management provided business licenses for all procurement samples. However, as noted in the findings 2021-01 and 2021-02, Crowe noted issues with the validity of procurement documentation. Crowe determined that the issued has not been addressed.

5. Finding 2020-01: Lack of Financial Records and Reports Leading to Non-compliance:

Report: External Auditing of Project titled “Community Based Demining Operations in Logar Province S-PMWRA-19-GR-0035” for the period 9/1/2019 through 10/15/2020.

Issue: Lack of annual financial records and reports displays non-compliance with Law of Non-Governmental Organizations Article #27 of the Ministry of Economy Government of Islamic Republic of Afghanistan.

Status: Management stated that they could not conduct the annual audit due to funding constraints. Therefore, we determined the issue has not been addressed.

6. Finding 2020-02: Lack of Internal Audit Function:

Report: External Auditing of Project titled “Community Based Demining Operations in Logar Province S-PMWRA-19-GR-0035” for the period 9/1/2019 through 10/15/2020.

Issue: Lack of internal audit function impairs the ability of management to ensure compliance with policies and procedures.

(Continued)

Mine Clearance Planning Agency ("MCPA")
SECTION II: SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT OF FINDINGS
Grant Numbers S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-
GR-0035, S-PMWRA-20GR-0050
For the period January 1, 2015 through July 15, 2021

Status: Crowe has determined that MCPA has not established an independent internal control department. Therefore, we determined the issue has not been addressed.

7. Finding 2020-03: Missing Management Approval:

Report: External Auditing of Project titled "Community Based Demining Operations in Logar Province S-PMWRA-19-GR-0035" for the period 9/1/2019 through 10/15/2020.

Issue: Missing managerial approval on altering the details of a voucher/invoice displays inadequate guidance and supervision of the finance department.

Status: Crowe noted that MCPA now incorporates a Procurement Package Checklist into their Procurements. We did not identify any missing signatures during our testing. Therefore, we determined the issue has been addressed.

8. Finding 2020-04: Misuse of Vehicles Procured

Report: External Auditing of Project titled "Community Based Demining Operations in Logar Province S-PMWRA-19-GR-0035" for the period 9/1/2019 through 10/15/2020.

Issue: Misuse of vehicles procured under the award for non-project related purposes display inadequate guidance and supervision of administration. Specifically, it was noted that a MCPA employee used one of the procured vehicles for personal use, outside of the stated working days.

Status: Crowe noted a change in policy to keep vehicles on-site. Crowe also noted that rental vehicle usage time sheets were maintained for the vehicle's location and the users of the vehicle. We did not identify any instances of vehicles being used for non-project related activities, based on the records provided. Therefore, we determined the issue has been addressed.

Appendix A: Views of Responsible Officials

The Mine Clearance Planning Agency provided the following response to Crowe on June 10, 2022, regarding the findings contained in the draft report. The responses included herein are verbatim and source formatting retained.

FINDING 2021-01: Unsupported and Unreasonable Vehicle Rentals Costs:

Management Response:

MCPA disagrees with this finding with the following justification.

MCPA Procurement policy states in part

1. Section 4.c.iii. "A minimum of three quotations are to be obtained, the lowest quotation per the comparative statement is to be the procured item."
2. Section 4.c.iv. "The comparative statement is to be duly approved by the Director of MCPA."
3. Section 5.2. "To make sure that commodities of good quality are purchased with the reasonable lowest rates, it is advisable that purchase committees will be appointed for the procurements. The committee will be comprised of members from three different sections".

MCPA maintained sufficient procurement records for every transaction in line with USDOS and MCPA's policies and procedures especially following the above-stated sections of the Procurement policy. For every contract, we have done the complete procurement process. According to the best industry practices and as required, for recurring transactions, we have also created a separate master file in which we have kept the detailed procurement documents. During the audit, we have not been asking to provide the documents mentioned in this condition. We do believe that the procurement process must be justifiable, competitive, transparent, reliable, and at the lowest possible rate without compromising the quality of the procured items. For this reason and to ensure the best quality at the lowest reasonable rates, we have created a special committee for every transaction. We have rechecked our supporting documents. Based on our documents we do believe that every agreement price and payment is reasonable, eligible, reliable, justifiable, competitive, and allowable in the donor's approved budget. A Competitive procurement process has been followed in every transaction ensuring the competitive vendor selection and the basis for the contract price. All the relevant documents necessary to justify the transaction's transparency, competitiveness, reasonability, and reliability has already been provided to you.

In addition, the costs charged for each rental vehicle are between \$900 to \$1,500 per month which includes monthly rent, fuel, oil, driver's salary, food, and medical allowances. In order to ensure the best possible control over fuel expenses and reduce our additional employee costs, we have fixed the amount of fuel in agreement. Based on our history of similar work agreements we have determined this price for fuel and lubricants as reasonable. All payments between \$900 to \$1,500 were the appropriate market price of that time as the vehicle was subject to use in insecure and turbulent areas with a lot of movement. For such risky and dangerous areas, most of the vendors were not eager to provide their vehicles. We have found these vendors very difficultly. This amount is based on a competitive process and proper documentation.

Regarding the MDU rent, this was not a commonly available construction loader, this was an armored Caterpillar Loader with specific mine action program approved demining attachments. Only a few of those loaders were available in Kabul. This cost was cheaper than the cost of similar loaders used by MCPA and other demining agencies at that time. \$ 4,000 was a very fair market price at the time as the Loader was subject to use in an insecure and risky area. For such risky and dangerous areas most of the vendors did not want to provide their Loader. We have found these vendors very difficultly. This amount is based on a competitive process and proper documentation.

(Continued)

What are the other documents (**other than mentioned in annexure 1**), which you consider necessary to ensure the transparency, competitiveness, reliability, reasonability, and allowability of the expenses? Please share with us, we will provide you.

Conclusion: *Based on the above justification we believe that the cost should be removed from the question cost.*

Finding 2021-02: Use of Competitive Procurement Procedures for Miscellaneous Items not Substantiated:

Management Response:

MCPA disagrees with this finding with the following justification.

MCPA Procurement policy states in part

1. Section 4.c.iii. "A minimum of three quotations are to be obtained, the lowest quotation per the comparative statement is to be the procured item."
2. Section 4.c.iv. "The comparative statement is to be duly approved by the Director of MCPA."
3. Section 5.2. "To make sure that commodities of good quality are purchased with the reasonable lowest rates, it is advisable that purchase committees will be appointed for the procurements. The committee will be comprised of members from three different sections".

We are very surprised to see these conditions. Our all transactions are in line with USDOS and our policies and procedures especially following the above-stated sections of Procurement policy. We do believe that the procurement process must be justifiable, competitive, transparent, reliable, and at the lowest possible low rate without compromising the quality of the procured items. For this purpose and to ensure the best quality at the lowest reasonable rates, we have created a special committee for every transaction. We have rechecked our supporting documents. Based on our documents we do believe that every payment is reasonable, eligible, reliable, justifiable, and allowable in the donor's approved budget. A Competitive procurement process has been followed in every transaction. All the relevant documents necessary to justify the transaction's transparency, competitiveness, reasonability, and reliability has already been provided to you.

What are the other documents (**other than those mentioned in annexure 2**), which you consider necessary to ensure the transparency, competitiveness, reliability, reasonability, and allowability of the expenses? Please share with us, we will provide you.

We are sorry to say, it seems that you have not understood our supporting documents either due to our local language or other means because the majority of the documents are available which you mentioned in the condition. This cost as classified ineligible question cost is baseless and without considering our provided documents and Afghanistan ground realities. This cost should be removed from the ineligible question cost

Please refer to "**annexure 2**" for the types of documents attached with each individual transaction as mentioned missing in this finding. The same documents have already been provided to you and can be provided once again.

Conclusion: *Based on the above justification we believe that the cost should be remove from the question cost.*

Finding 2021-03: Insufficient Procurement Documentation Records:

Management Response:

MCPA disagrees with this finding with the following justification.

(Continued)

MCPA Procurement policy states in part

1. Section 4.c.iii. "A minimum of three quotations are to be obtained, the lowest quotation per the comparative statement is to be the procured item."
2. Section 4.c.iv. "The comparative statement is to be duly approved by the Director of MCPA."
3. Section 5.2. "To make sure that commodities of good quality are purchased with the reasonable lowest rates, it is advisable that purchase committees will be appointed for the procurements. The committee will be comprised of members from three different sections".

MCPA maintained sufficient procurement records for every transaction in line with USDOS and MCPA's policies and, procedures. For every contract, we have done the complete procurement process. To ensure the best quality at lowest the reasonable rates, we have created a special committee for every transaction. According to the best industry practices and as required, recurring, transaction we have also created a separate master file in which we have kept the detailed procurement documents. During the audit, we have not been asked to provide the documents as mentioned in the condition. We do believe that the procurement process must be justifiable, competitive, transparent, reliable and at the lowest possible low rate without compromising the quality of the procured items. We have rechecked our supporting documents. Based on our documents we do believe that every agreement price and payment is reasonable, eligible, reliable, justifiable, and allowable in the donor's approved budget. This project was started in 2015. At that time the field area was controlled by the Taliban. None of the companies were working in that area, so we engage the local community people to support our project operation. This was our compulsion at that time because the Taliban were targeting all those companies who were licensed from and working with the government. After the Taliban allowed companies to work in 2016 to work in that area, a competitive procurement process has been followed in every transaction ensuring the competitive vendor selection and the basis for the contract price. All the relevant documents necessary to justify the transaction's transparency, competitiveness, reasonability and reliability has already been provided to you. The same documents can be provided to you once again.

In addition, the costs charged for each rental vehicle are between \$900 to \$1,500 per month which includes monthly rent, fuel, oil, driver's salary, food, and medical allowances. In order to ensure the best possible control over fuel expenses and reduce our additional employee costs, we have fixed the amount of fuel in agreement. Based on our history of similar work agreements we have determined this price for fuel and lubricants as reasonable. All payments between \$900 to \$1,500 were the appropriate market price of that time as the vehicle was subject to use in insecure and turbulent areas with a lot of movement. For such risky and dangerous areas, most of the vendors were not eager to provide their vehicles. We have found these vendors very difficultly. This amount is based on a competitive process and proper documentation.

For Item 50, this voucher is an adjusting entry, initially, the cost was charged to the incorrect budget line. The calculation table is attached with the voucher. Detailed documents are attached. Attachment Reference **"Finding 3, item 50 documents"**

For item 59 "Explosive Management Cost", In order to keep our explosive material under safe custody, all demining organizations in Afghanistan have a joined safe explosive store, where explosive or all demining organizations are safely stored. We have signed the contract for this purpose and assigned one demining organization for its security responsibility. Mine Deduction Center (MDC) as one of the demining organizations is responsible for the custody of this explosive store. The attached invoice is of MDC. we all demining organizations are registered with the government, UN, USDOS, MAPA, DMAC. We have a license from the government to keep our explosive items. We cannot trust other organizations for security as this store has large amounts of explosive material and can be misused. Based on the above, we cannot follow the procurement process in this matter. We cannot acquire the services from open market in this matter.

For item 47 & 47 **"Gardzwal Construction Company"**, Gardzwal Construction Company is a private company owned by **"Abdul Rahim so Adul Jamil"** as evident from Tazkira/national identity. We rechecked the document, it had four exclusion results, with different surnames.

(Continued)

One person “Abdul Rahim” as prohibited/restricted is in the United States not in Afghanistan and there is no other as “Aabdul Rahim”. Also, we checked the Gardzwal Construction Company via SAM.org there was no exclusion result. The result is attached here. Attachment reference is “**Condition 3 attachment**”.

This cost should be the removed from question cost because the vendor “**Abdul Rahim** ” is not the one who is included in the SAM search result.

Please refer to “**annexure 3**” for the types of documents attached with each individual transaction as mentioned missing in this finding. Same documents have already been provided to you and can be provided once again.

Conclusion: Based on above justification we believe that the cost should be remove from the question costs.

Finding 2021-04: Indirect Costs Charged to the Award Not in Accordance with Modified Total Direct Cost (MTDC) Bases:

Management Response:

MCPA agreed with this finding with the following justification.
“We will try our best to cope this problem in the future.”.

Finding 2021-05: Hazard Allowance Paid in Excess of Established Policies and Procedures:

Management Response:

MCPA Partially agreed with this finding with the following justification.

We do agree that according to our Administration Manual, team guards will receive daily Hazard Allowance Pay of \$1.25. However, this project SPMWRA15GR1014 was in the most dangerous and risky areas of the country. According to our survey before preparing a budget, most of the professional experienced people were not agree to work in that area at such low pay. Perforce, we increased the rate of hazard allowance to attract and convenience the people to do the work in that area. We send the budget to the donor for approval and update the donor about the situation and request the donor to approve the increase in hazard allowance. Donor accepts our justification and approved the increase in hazard allowance. After that we start the project and starts paying hazard allowance of @ \$6 per day. This cost should be removed from the question cost as it is approved in the donor-approved budget.

Conclusion. Based on the above justification we believe that the cost should be removed from the question cost.

Finding 2021-06: Unallowable Costs Charged to Award for Cancelled Flight

Management Response:

MCPA agreed with this finding with the following justification.

We recovered the amount. The Cash receiving voucher is attached here. The attachment reference is “**Condition 6 attachment**”.

Finding 2021-07: Inaccurate Financial Data Reported in SF-425 Reports:

Management Response:

MCPA is diss agreed with this finding with the following justification.

(Continued)

The amounts in the above tables under a column titled “**Reported on FS-425**” are correct while the amounts in a column titled “**Recorded in accounting Record**” are incorrect. Indirect cost is not included in the column titled “**Recorded in accounting Record**”, if indirect cost is included to the amounts of this column the difference will become **ZERO**.

Finding 2021-08: Untimely and Incomplete Financial and Program Reports

Management Response:

MCPA agreed with this finding with the following justification.

We do agree with this finding. The delay was due to large-scale political activities in our country. Due to which all offices were closed for 2 weeks long. However, we have submitted all the reports to the donor.

FINDING 2021-09: Misclassification of Costs Reported on SPFS:

Management Response:

MCPA Partially agreed with this finding with the following justification.

This was a human error in the budget preparation. The donor agreed at that time. When we submit the final financial report to the donor, they approved our report without exception.

Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management responses of Mine Clearance Planning Agency to the draft report audit findings provided to Crowe on June 10, 2022. 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 2021-01: Unsupported and Unreasonable Vehicle Rentals Costs:

Management disagreed with the finding that the vehicle rentals were unsupported and unreasonable. We have reviewed management's response and noted that MCPA did not provide additional procurement documentation regarding the vendors in question. MCPA indicated that we did not request that MCPA "provide the documents mentioned in this condition." As indicated in the finding, we reviewed the documentation provided and deemed it inadequate due to the inability to confirm that three valid bids were acquired. Additionally, MCPA stated that "In order to ensure the best possible control over fuel expenses and reduce our additional employee costs, we have fixed the amount of fuel in agreement." As indicated in our finding, MCPA charged an additional \$244,999 for costs related to Petroleum, Oil, & Lubricants, which contradicts the claims made in their response.

In consideration of these matters and management not having provided adequate vendor procurement documentation that may serve as sufficient, appropriate, audit evidence to clear the reported matters, the finding has not been changed.

Finding 2021-02: Use of Competitive Procurement Procedures for Miscellaneous Items not Substantiated:

Management disagreed with the finding that the use of competitive procurement procedures for miscellaneous items were not substantiated and that "All the relevant documents necessary to justify the transaction's transparency, competitiveness, reasonability, and reliability has already been provided to you." We have reviewed managements response and noted that MCPA did not provide additional procurement documentation regarding the vendors in question. As indicated in the finding, we reviewed the documentation provided and deemed it inadequate due to the inability to confirm that three valid bids were acquired.

In consideration of these matters and management not having provided adequate vendor procurement documentation that may serve as sufficient, appropriate, audit evidence to clear the reported matters, the finding has not been changed.

Finding 2021-03: Insufficient Procurement Documentation Records:

Management disagreed with the finding that insufficient procurement documentation records were maintained. After review, Crowe agrees that the individual in question is not included on the SAM exclusion/prohibition listing. The costs associated to this aspect of the finding were questioned in finding 2021-01, rather than this finding, as a result the amount of questioned costs is not impacted. We have removed mention of the disbarred individual from the condition of the finding.

Except as otherwise stated above, we have reviewed managements response and noted the response did not alter the 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.

(Continued)

Finding 2021-05: Hazard Allowance Paid in Excess of Established Policies and Procedures:

Management partially disagreed with the finding that hazard allowance was paid in excess of established policies and procedures. We have reviewed managements response and noted the response did not alter the finding. MCPA did not document the rationale for their actions at the time the decision was made to increase the amount of hazard pay allowance in excess of the amount recorded in MCPA's policies and procedures. Moreover, the funding agency's approval of the budget does not preclude MCPA from following their own policies and procedures, which included stated the rate at which the hazard allowance should be charged. 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 2021-07: Inaccurate Financial Data Reported in SF-425 Reports:

Management disagreed with the finding that financial data reported in SF-425s was inaccurate. Based on the additional explanation provided, Crowe partially agrees with managements response. The column "Recorded in Accounting Records" from the finding does not include the related amount of indirect cost for the period. However, Crowe cannot determine if the amount of direct costs included on the SF-425 is correct, as MCPA does not include the amount charged on line item 11.e. of any of the SF-425 sampled, as appropriate. As a result Crowe maintains that the financial data reported in the SF-425 is inaccurate and the finding has not been changed.

FINDING 2021-09: Misclassification of Costs Reported on SPFS:

Management partially disagreed with the finding that costs were misclassified that were reported on the SPFS. We have reviewed managements response and noted the response did not alter the finding, as the donor's approval of the budget or final financial report does not impact how the cost should have been recorded on the SPFS. Additionally, a modification showing the change in budgeted items was never acquired or provided as support. 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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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:

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SIGAR's Mission

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