



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

March 1, 2023

The Honorable Antony Blinken
Secretary of State

I am writing to alert you of significant delays in the Department of State's (State) response to 14 open recommendations that we made in six financial audit reports since October 2019. These open recommendations have remained unaddressed for more than 2 years, and include nearly \$40 million in questioned costs, 20 instances of non-compliance with laws or regulations, and 24 deficiencies in internal controls.¹

Federal statute and Office of Management and Budget (OMB) instructions require State's action and follow-up on these recommendations. State's lack of responsive action sends a message to federal contractors and grantees that they may not be held accountable for improperly spent funds. Additionally, it increases the risk that tens of millions of dollars in unsupported or ineligible government payments to State contractors or grantees that supported the reconstruction effort in Afghanistan may go unrecovered. (See enclosure for a list of the six financial audits and their corresponding open recommendations and questioned costs.)

The Federal Acquisition Streamlining Act requires federal departments and agencies, including State, to submit a management decision on all findings and recommendations in an inspector general's report within 6 months and to take final actions to implement recommendations within 12 months of an inspector general issuing a final report.² In addition, the OMB's Circular A-50 requires executive departments and agencies to establish a system to "assure the prompt and proper resolution and implementation of audit recommendations."³

In October 2020, SIGAR issued a report examining (1) State's adherence to the Act and to OMB's requirements, and (2) State's implementation of audit recommendations we made to the department. In its comments on the report, State committed to promptly resolving and, where feasible, implementing corrective actions within 12 months from the date the recommendations were made.⁴

State has not complied with these requirements or its commitment to promptly resolve recommendations. Furthermore, State has not answered our repeated requests to provide responses and information necessary to address the 14 open financial audit recommendations we made since October 2019. We have provided repeated clarification to State detailing the type of documentation required to close these recommendations and have sent periodic reminders to encourage action. For example, we followed-up with State five times to request the department address SIGAR's financial audit related to the recovery of nearly \$3 million in questioned costs

¹ SIGAR requires its financial audit contractors to report questioned costs as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by grants or applicable laws and regulations, or unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or do not have the required prior approvals or authorizations.

² Federal Acquisition Streamlining Act of 1994, Pub. L. No. 103-355, § 6009 (codified as amended at 5 U.S.C. app. § 5 note (1996)).

³ OMB, Circular A-50 Revised, "Audit Follow-up," Section 5, September 29, 1982.

⁴ SIGAR, *Department of State Implemented Approximately Half of the Recommendations from SIGAR Audits and Inspections but Did Not Meet All Audit Follow-up Requirements*, SIGAR 21-02-IP, October 5, 2020.

charged to State by The HALO Trust (“HALO”) and The HALO Trust (USA) Inc. to implement State’s Humanitarian Demining and Conventional Weapons Destruction Programs in Afghanistan.⁵

In September 2022, after 2 years of outreach, State provided a response for our October 2020 HALO audit. However, we notified State that its response did not include the information necessary to close any of the open recommendations because State did not provide either a determination on the allowability of the questioned costs, nor official documentation advising the auditee to address the noted instances of noncompliance and internal control deficiencies, which are needed for SIGAR to close recommendations. Instead, State’s response merely provided a summary of its communications with HALO. Although we appreciate State’s communication, the appropriate State officials have still not answered our requests despite two separate meetings to clarify our recommendations since September 2022.

State has demonstrated the capacity to take appropriate action and provide necessary information to close old recommendations. For example, in January 2023, after we notified State of this alert letter, the department provided information to close two recommendations from our July 2020 audit of the costs incurred by Janus Global Operations LLC. to implement a demining program in Afghanistan.⁶

Nevertheless, 14 other recommendations remain open. If this trend of delay or inaction continues, the total questioned costs, instances of noncompliance, and deficiencies will only increase with additional financial audits and further magnify our concerns. Moreover, State will remain noncompliant with federal law and other requirements, failing to demonstrate sound stewardship of almost \$40 million in U.S. reconstruction funds and not keeping commitments with SIGAR to be responsive to our audit recommendations.

To close the recommendations for the cited reports pertaining to questioned costs, we request that State provide the following within 60 days: (1) a copy of the responsible contracting or agreement officer’s determination about the allowability of all questioned costs identified in the recommendation, and (2) evidence of efforts to collect any disallowed amounts or their reimbursement.

To close the recommendations for the cited reports pertaining to non-monetary recommendations, we request that within 60 days State provide evidence of its official communication, such as memoranda, e-mail, record of meeting, etc., to the auditee advising it to address the issues identified in the recommendations.

On February 2, 2023, we provided a draft of this letter to State for review and comment. On February 13, 2023, State’s Bureau of the Comptroller and Global Financial Services responded in an email that the department would not provide a consolidated response to our letter. Instead, the responsible State bureaus would directly provide status updates for each recommendation, along with documentation necessary to request closure for the associated findings. We find State’s comments to be responsive to our letter and look forward to receiving the necessary information within 60 days.

I am submitting this letter under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency.

Due to the urgency associated with this matter, please take prompt and appropriate actions to close the recommendations in the identified six audits and provide relevant evidence in accordance with the guidance above

⁵ SIGAR, *Department of State’s Humanitarian Demining and Conventional Weapons Destruction Programs in Afghanistan: Audit of Costs Incurred by The HALO Trust and The HALO Trust (USA) Inc.*, SIGAR 21-01-FA, October 1, 2020.

⁶ SIGAR, *Department of State’s Humanitarian Mine Action, Conventional Weapons Destruction, and Technical Assistance in Afghanistan: Audit of Costs Incurred by Janus Global Operations LLC*, SIGAR 20-43-FA, July 9, 2020. As a result of this new information and closing two audit recommendations made in our July 2020 report, we updated this letter to cover 14 open recommendations that we made in six financial audit reports since October 2019, instead of 16 open recommendations we made in seven reports.

for each recommendation. Should you or your staff have any questions about this request, please contact Matt Dove, Assistant Inspector General for Audits and Inspections, at 703-545-6000, or matthew.d.dove.civ@mail.mil.

Thank you in advance for your cooperation in this matter. I look forward to your response.

A handwritten signature in black ink, appearing to read 'J. F. Sopko', with a long horizontal flourish extending to the right.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

ENCLOSURE: DETAILS OF SIGAR'S 14 OPEN RECOMMENDATIONS, QUESTIONED COSTS, INSTANCES OF NON-COMPLIANCE, AND DEFICIENCIES

Report Number	Subject	Report Issue Date	Questioned Costs	Open Recs
20-04-FA	Demining Agency for Afghanistan	10/15/19	\$19,194	3
<p>SIGAR recommends that the responsible grant officer at State's M/WRA:</p> <ol style="list-style-type: none"> 1. Determine the allowability of and recover, as appropriate, \$19,194 in questioned costs identified in the report. 2. Advise DAFA to address the report's three internal control findings. 3. Advise DAFA to address the report's three noncompliance findings. 				
20-39-FA	Alutiiq Professional Training LLC	6/4/20	\$8,765,541	1
<p>SIGAR recommends that the responsible contracting officer at State:</p> <ol style="list-style-type: none"> 1. Determine the allowability of and recover, as appropriate, \$8,765,541 in questioned costs identified in the report. 				
20-48-FA	TigerSwan LLP	8/7/2020	\$3,850,658	1
<p>SIGAR recommends that the responsible contracting officer at State:</p> <ol style="list-style-type: none"> 1. Determine the allowability of and recover, as appropriate, \$3,850,658 in questioned costs identified in the report. 				
20-54-FA	The Colombo Plan	9/18/20	\$23,133,847	3
<p>SIGAR recommends that the responsible agreement officer at State:</p> <ol style="list-style-type: none"> 1. Determine the allowability of and recover, as appropriate, \$23,133,847 in questioned costs identified in the report. 2. Advise Colombo to address the report's ten internal control findings. 3. Advise Colombo to address the report's eight noncompliance findings. 				
21-01-FA	HALO Trust	10/1/20	\$2,804,634	3
<p>SIGAR recommends that the responsible grants officer at State:</p> <ol style="list-style-type: none"> 1. Determine the allowability of and recover, as appropriate, \$2,804,634 in questioned costs identified in the report. 2. Advise HALO to address the report's two internal control findings. 3. Advise HALO to address the report's two noncompliance findings. 				
21-07-FA	MDC – Demining Projects	11/6/20	\$399,249	3
<p>SIGAR recommends that the responsible grant officer at the Department of State:</p> <ol style="list-style-type: none"> 1. Determine the allowability of and recover, as appropriate, \$399,249 in questioned costs identified in the report. 2. Advise the center to address the report's nine internal control findings. 3. Advise the center to address the report's seven noncompliance findings. 				
TOTAL			\$38,973,123	14