

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-07 Financial Audit

USAID's Musharikat Program to Increase Afghan Women's Equality and Empowerment: Audit of Costs Incurred by DAI Global LLC

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



DECEMBER
2021

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 2, 2015, the U.S. Agency for International Development (USAID) awarded an \$8,240,000 task order to Development Alternatives Inc., (DAI) to implement the Musharikat program. The program's objective was to increase Afghan women's equality and empowerment through strengthening advocacy, increasing awareness of and promoting women's rights. After 15 modifications, the funding increased to \$29,534,401, and the period of performance was extended from September 1, 2020, through September 2, 2021. In 2016, DAI changed its name and formally registered as DAI Global LLC.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$4,067,054 in costs charged to the task order from December 1, 2019, through September 1, 2020. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in DAI's internal controls related to the task order; (2) identify and report on instances of material noncompliance with the terms of the task order and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether DAI has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of DAI's Special Purpose Financial Statement (SPFS). See Crowe's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

December 2021

USAID's Musharikat Program to Increase Afghan Women's Equality and Empowerment: Audit of Costs Incurred by DAI Global LLC

SIGAR 22-07-FA

WHAT SIGAR FOUND

Crowe identified one material weakness and one significant deficiency in DAI's internal controls, as well as one instance of noncompliance with the terms of the task order. Specifically, the auditors found that DAI did not have sufficient and appropriate evidence to support the special purpose financial statement (SPFS). The auditors tested 12 transactions and found that 2 of them were improperly excluded from the SPFS because DAI used a different basis of accounting for those incurred costs. Therefore, the auditors determined that the omission of the transactions and the amounts reported on the SPFS were material misstatements.

Additionally, the auditors determined that DAI did not maintain accurate property records as required by federal regulations. For example, in 7 of 60 property items sampled, DAI reported acquisition costs that did not match the inventory report. However, the auditors determined that the findings were due to lack of procedures and the incurred costs were allowable.

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

Crowe identified five prior audit reports that were relevant to DAI's task order. One of the audits had three findings that could have a material effect on the SPFS and other financial data that were significant to this audit's objectives. Crowe conducted follow-up procedures and concluded that DAI took adequate correction on two of the findings. DAI did not take adequate corrective action to address one finding, and that finding was repeated in this audit.

Crowe issued a disclaimer of opinion on DAI's SPFS because it did not provide sufficient and appropriate audit evidence to support the incurred costs reported on the SPFS.

WHAT SIGAR RECOMMENDS

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

- 1. Advise DAI to address the report's two internal control findings.**
- 2. Advise DAI to address the report's one noncompliance finding.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

December 1, 2021

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

We contracted with Crowe LLP (Crowe) to audit the costs incurred by DAI Global LLC (DAI) under a task order from the U.S. Agency for International Development (USAID) to implement the Musharikat program.¹ The program's objective was to increase Afghan women's equality and empowerment through strengthening advocacy, increasing awareness of and promoting women's rights. Crowe reviewed \$4,067,054 in costs charged to the task order from December 1, 2019, through September 1, 2020. 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 contracting officer at USAID:

- 1. Advise DAI to address the report's two internal control findings.**
- 2. Advise DAI to address the report's one noncompliance finding.**

Crowe discusses the results of the audit in detail in the attached report. We reviewed Crowe's report and related documentation. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on DAI's Special Purpose Financial Statement. We also express no opinion on the effectiveness of DAI's internal control or compliance with the task order, laws, and regulations. Crowe is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances in which Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-201)

¹ The task order number is AID-306-TO-15-00073.



DAI Global, LLC

Musharikat Program

Task Order AID-306-TO-15-00073

Special Purpose Financial Statement

December 1, 2019, through September 1, 2020

(With Independent Auditor's Report Thereon)

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TRANSMITTAL LETTER

June 16, 2021

To the Board of Directors and Management of DAI Global, LLC
7600 Wisconsin Ave., Suite #200
Bethesda, Maryland 20814

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

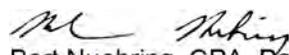
We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during our audit of the Special Purpose Financial Statement ("SPFS") applicable to DAI Global, LLC's ("DAI") Task Order with the United States Agency for International Development ("USAID"), number AID-306-TO-15-00073, funding the Musharikat program for the period December 1, 2019, through September 1, 2020.

Within the pages that follow we have provided a brief summary of the work performed. Following the summary, we have incorporated our draft report on the Special Purpose Financial Statement, our draft report on internal control, and our draft 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 DAI, USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction, provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses were incorporated as Appendix A to this report.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of DAI's Task Order.

Sincerely,


Bert Nuehring, CPA, Partner
Crowe LLP

Summary

Background

On September 2, 2015, the United States Agency for International Development (“USAID”) issued Task Order Number AID-306-TO-15-00073 to Development Alternatives, Inc., (“DAI”) to implement the Musharikat Program. In 2016, DAI renamed and formally registered as DAI Global, LLC. This Task Order was issued under Indefinite Delivery Indefinite Quantity (“IDIQ”) AID-306-I-14-00013. The program’s goal was to increase Afghan women’s equality and empowerment. It aims at achieving this by building constituencies among groups promoting equality, strengthening advocacy and increasing awareness for women’s rights and developing gender policies.¹

The contract was structured as a Cost-Plus-Fixed-Fee (“CPFF”) award. At the time of award, the initial obligated amount was \$8,240,000 with a period of performance from September 2, 2015, through September 1, 2020. After fifteen (15) modifications to the Task Order, the total funding increased to \$29,534,401 and the period of performance was extended from September 1, 2020, through September 2, 2021. The modifications are summarized below:

Modification No.	Highlights
01	Update Section F Reports and Deliverables Update Section G Task Order Administration Update Section H Special Task Order Requirements
02	Reflect Key Personnel changes Incrementally increase funding from \$8,240,000 to \$15,200,000
03	Remove Section G, assign Contracting Officer’s Representative (COR) and Alternate COR
04	Incorporate Branding and Marking Plan as attachment in section J.4
05	Revise Section G Task Order COR
06	Replace Quality Assurance Surveillance Plan (QASP) with Activity Monitoring Evaluation Learning Plan (AMELP) Delete attachment J.1 Performance Standards by Objective Changes to key personnel
07	Extend reporting period for monthly and quarterly reports
08	Incrementally increase funding from \$15,200,000 to \$16,317,606 Update section G.2 to designate the COR
09	Incrementally increase funding from \$16,317,606 to \$23,352,275
10	Incrementally increase funding from \$23,352,275 to \$25,952,275 Changes to key personnel
11	Update COR
12	Realign Task Order budget
13	Update Sub-Section G.1 Administrative Task Order Contracting Officer
14	Incrementally increase funding from \$25,952,275 to \$29,534,401
15	Extend period of performance end date from September 1, 2020 to September 1, 2021

¹Task Order AID-306-TO-15-00073 Section C.2

(Continued)

The audit's scope included activity within the period December 1, 2019, through September 1, 2020. Within the period under audit, DAI reported [REDACTED] in costs incurred and fixed fee of [REDACTED] for a total cost-plus fixed fee amount of \$4,067,054.

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 DAI Task Order Number AID-306-TO-15-00073 for the period December 1, 2019, through September 1, 2020.

Objectives Defined by SIGAR

The following audit objectives were defined by the Special Inspector General for Afghanistan Reconstruction.

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether DAI's Special Purpose Financial Statement ("SPFS") for the task order presents 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 task order and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

Evaluate and obtain a sufficient understanding of DAI's internal control related to the task order; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 3 – Compliance

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

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

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

(Continued)

Scope

The scope of the audit included the period December 1, 2019, through September 1, 2020. The audit was limited to those matters and procedures pertinent to the task order 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;
- Equipment and Real Property;
- Grants under Contract;
- Procurement; and
- Reporting.

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the auditee's internal controls over compliance and financial reporting and determined if adequate corrective action was taken in response to prior audit, 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 task order; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the task order 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 DAI during the audit period. To the extent documented policies and procedures were unavailable, Crowe conducted interviews with management to obtain an understanding of the processes that were in place during the period of performance. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the task order. Crowe identified – through review and evaluation of the task order executed by and between USAID and DAI – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including, but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected transactions, payment requests, procurements, grants under contract, equipment and real property, and reports for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess DAI's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with DAI's Negotiated Indirect Cost Rate Agreement ("NICRA"). We also performed procedures to determine if adjustments to billings that were based on preliminary or provisional rates were made, as required and applicable.

Regarding Audit Objective 4, Crowe inquired of DAI, SIGAR, and USAID personnel participating in the audit entrance conference to understand whether there were prior audits, reviews, or assessments that were

(Continued)

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 five prior reports, each of which contained findings and recommendations. Crowe reviewed each of the five prior audit reports to ascertain whether those reports included findings we determined to be direct and material to the audit objectives. In any instances where findings were determined to be direct and material to the audit objectives, Crowe reviewed subsequent 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 was necessary. Three findings were identified from the fifth prior audit report listed below that may be direct and material to the audit objectives, and for which corrective action had not previously been deemed adequate. Following is a list of the reports reviewed by Crowe:

1. SIGAR Audit 20-16-FA USAID's Afghan Women in the Economy Project: Audit of Costs Incurred by DAI Global LLC;
2. SIGAR Audit 20-14-FA USAID's Assistance to the Legislative Bodies of Afghanistan Project: Audit of Costs Incurred by DAI Global LLC;
3. SIGAR Audit 19-41-FA USAID's Regional Agricultural Development Program in Northern Afghanistan: Audit of Costs Incurred by DAI Global LLC;
4. SIGAR Audit 18-61-FA USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc.
5. Financial Audit of Costs Incurred for Afghanistan Including a Review of Compliance with Vetting Procedures by Development Alternatives, Inc. ("DAI") Under: a) Agricultural Credit Enhancement (ACE-II) project, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Summary of Results

Upon completion of Crowe's procedures, Crowe identified two findings meeting 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 task order; and/or questioned costs resulting from identified instances of noncompliance.

Crowe issued a disclaimer of opinion on the SPFS as DAI did not provide sufficient, appropriate audit evidence to support the amounts reported on the SPFS were presented under the accounting policies described in Notes 1, 2, 4, 5 and 6 to the Statement.

Crowe also reported on both DAI's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the task order. One material weakness in internal control and one significant deficiency in internal control was reported. One of the findings was classified as an instance of noncompliance. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

In response to the identified instance of noncompliance, Crowe reported \$0 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 audited task order 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.

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

(Continued)

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to DAI's financial performance under this task order. We identified five prior audit reports which one of them contained audit findings deemed direct or material to the Special Purpose Financial Statement or other financial information significant to the audit objectives. Within that report, Crowe identified three findings that were subject to review and conducted procedures to determine whether adequate corrective action had been taken on the three findings. Crowe concluded that DAI took adequate corrective action on two of the three prior findings, while adequate corrective action was not taken on the third prior finding. As a result, one of the three findings was repeated. 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)
2020-01	Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement ("SPFS") is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process	Material Weakness	\$ -
2020-02	Inaccurate Property Records	Significant Deficiency and Non-compliance	\$ -
Total Questioned Costs:			\$ -

Summary of Management Comments

DAI disagrees with Finding 2020-01 and partially agrees with Finding 2020-02. DAI believes that the management comments provided in Appendix A properly address the identified deficiencies and reflects DAI's commitment to implementing and ensuring adequate controls and compliance with relevant policies applicable regulations. DAI stated it will make sure to share and emphasize any lessons learned from the audit to ensure that its policies, procedures and operations adequately addresses any identified deficiencies.

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 DAI
Global, LLC 7600 Wisconsin Ave., Suite #200
Bethesda, Maryland 20814

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 ("SPFS" or "Statement") of DAI Global, LLC ("DAI"), and related notes to the Statement, with respect to the United States Agency for International Development ("USAID") Task Order Number AID-306-TO-15-00073 funding the Musharikat program for the period December 1, 2019, through September 1, 2020.

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 Task Order Number AID-306-TO-15-00073. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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

We were not provided with sufficient, appropriate audit evidence to determine the amounts reported on the SPFS were presented under the accounting policies described in Notes 1, 2, 4, 5 and 6.

In addition, DAI included language within Note 2 to the Statement referring to financial statements that were not subject to audit and also asserting that DAI complies with accounting principles generally accepted in the United States of America ("GAAP"). Whereas the costs recorded within the financial records supporting the Statement were not recorded consistent with GAAP and auditing DAI's consolidated financial statements were not within scope, a modified opinion would have been issued had the scope limitation described above been overcome.

(Continued)

Disclaimer of Opinion on the Special Purpose Financial Statement

Because of the significance of the matter 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 Task Order Number AID-306-TO-15-00073, 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 the United States Agency for International Development (“USAID”) and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our reports dated August 16, 2021, on our consideration of DAI’s internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, task orders, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering DAI’s internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Washington, D.C.
August 16, 2021

DAI Global, LLC
SPECIAL PURPOSE FINANCIAL STATEMENT
TASK ORDER NO. AID-306-TO-15-00073
For the Period December 1, 2019, through September 1, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u> <u>Ineligible Unsupported</u>	<u>Notes</u>
Revenues				
Task Order No. AID-306-TO-15-00073	\$ 29,534,401	\$ 4,067,054		4
Total Revenue	29,534,401	4,067,054		
Costs Incurred				5
Direct Cost	[REDACTED]	[REDACTED]		
Indirect Cost	[REDACTED]	[REDACTED]		
Fixed Fee	[REDACTED]	[REDACTED]		
Total Cost Plus Fixed Fee	29,534,401	4,067,054		
Balance	\$ -	\$ -		6
		<u>\$ -</u>		

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

DAI Global, LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
TASK ORDER NO. AID-306-TO-15-00073
For the Period December 1, 2019, through September 1, 2020

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Task Order Number AID-306-TO-15-00073 under Indefinite Delivery Indefinite Quantity (IDIQ) No. AID-306-I-14-00013 for USAID's Musharikat program for the period December 1, 2019 through September 1, 2020. Because the Statement presents only a selected portion of the operations of DAI Global, LLC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of DAI Global, LLC. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the Task Order. 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

The SPFS presented is based on costs billed to the client during/for the period under audit.

DAI's understanding is that the audit is focused on ensuring that claims billed meet the compliance requirements in that they are allowable, allocable, and reasonable.

DAI Global, LLC complies with Generally Accepted Accounting Principles (GAAP) requirement for the accrual basis of accounting on an annual basis. As such, all expenditures are recognized following the cost principles contained in DAI Global, LLC's Cost Accounting Standards Disclosure Statement.

Excerpt from DAI's 2018 and 2019 annual audited financial statements confirms this:

"The accompanying consolidated financial statements include the accounts of DAI Global, LLC, a U.S. limited liability company, and its subsidiaries and are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America."

Note 3. Foreign Currency Translation Method

For purposes of preparing the Statement, translations from local currency to United States dollars ("USD") were prepared in accordance with DAI's exchange rate policy. To record financial transactions, DAI uses the exchange rate of the authorized bank or financial institution effecting the conversion of USD to local currency for in-country purchases. This foreign currency exchange rate remains in effect until another currency conversion is required.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which DAI Global LLC, is entitled to receive from USAID Afghanistan for allowable, eligible costs incurred under the Task Order during the period of performance. Fixed fee is invoiced periodically, as a percentage of total allowable costs being paid in that period. A total fixed fee of [REDACTED] was billed to USAID during the audit period.

Note 5. Costs Incurred by Budget Category

The budget categories presented, and associated amounts reflect the budget line items within the final USAID approved budget adopted as a component of Task Order No. AID-306-TO-15-00073 under IDIQ No. AID-306-I-14-00013 and as per Task Order Modification 12 dated June 30, 2019. Actual expenditures match the approved budget categories for the Task Order. The budget amount covers the entirety of the Task Order performance period.

(Continued)

DAI Global, LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
TASK ORDER NO. AID-306-TO-15-00073
For the Period December 1, 2019, through September 1, 2020

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 Task Order and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

Note 7. Currency

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

Note 8. Grants-Under-Contract

Grantee Name	Total Billed
Afghan Paramount Welfare and Development Organization	\$ 47,400
Afghan Unique Development Organization	42,039
Afghan Women's Network	43,506
Empowerment Center for Women	46,067
Hoda-e-Sharq Organization	42,137
Nature Educational Research & Development Organization	52,739
Organization for Afghan Women Capacity & Knowledge	40,166
Sound Humanitarian Participatory and Organizational	17,031
Welfare and Support Afghan Women Disability Organization	16,875
Women Activities & Social Services Association	42,205
Grand Total	\$ 390,165

Note 9. Program Status

The Musharikat program remains active to date. The period of performance for the Task Order is scheduled to conclude on September 1, 2021, as noted in Modification Number 15 dated August 12, 2020. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of negotiated indirect cost rate agreements.

Note 10. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the September 1, 2020 period covered by the Statement. The COVID-19 pandemic developed rapidly in 2020. Management has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our staff (such as social distancing and working from home, where feasible) while ensuring continuation of operations that is essential to the attainment of project objectives. At this stage, the impact on project performance and results has not been significant or material and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of staff, beneficiaries, and other stakeholders. Management has performed their analysis through August 16, 2021.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management of DAI Global, LLC
7600 Wisconsin Ave., Suite #200
Bethesda, Maryland 20814

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 DAI Global, LLC ("DAI"), and related notes to the Statement, with respect to Task Order Number AID-306-TO-00073 funding the Musharikat program for the period December 1, 2019, through September 1, 2020. We have issued our report thereon dated August 16, 2021, within which we disclaimed an opinion due to DAI's inability to provide sufficient, appropriate audit evidence to support the amounts reported on the SPFS were presented under the policies described in Notes 1, 2, 4, 5 and 6 to the Statement.

Internal Control over Financial Reporting

DAI'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 task order; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of accounting and presentation described in Notes 1, 2, 4, 5, and 6 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement for the period December 1, 2019, through September 1, 2020, we considered DAI'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 DAI's internal control. Accordingly, we do not express an opinion on the effectiveness of DAI's internal control.

Our consideration of internal control was for the limited purpose described in the second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

(Continued)

weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-02 to be a significant deficiency.

In addition, we identified certain matters that we reported to management via our letter dated August 16, 2021.

DAI's Response to the Findings

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

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 the United States Agency for International Development ("USAID") 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
Crowe LLP

Washington, D.C.
August 16, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors and Management of DAI Global, LLC
7600 Wisconsin Ave., Suite #200
Bethesda, Maryland 20814

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 DAI Global, LLC ("DAI"), and related notes to the Statement, with respect to task order number AID-306-TO-15-00073 funding the Musharikat program for the period December 1, 2019, through September 1, 2020. We have issued our report thereon dated August 16, 2021 within which we disclaimed an opinion due to DAI's inability to provide sufficient, appropriate audit evidence to support the amounts reported on the SPFS were presented under the accounting policies described in Notes 1, 2, 4, 5 and 6 to the Statement.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the task order is the responsibility of the management of DAI Global, LLC.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DAI's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-02.

DAI's Response to the Finding

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

(Continued)

Purpose of this Report

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

Restriction on Use

This report is intended for the information of the United States Agency for International Development ("USAID") 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
Crowe LLP

Washington, D.C.
August 16, 2021

DAI GLOBAL, LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDER AID-306-TO-15-00073
For the Period December 1, 2019 to September 1, 2020

FINDING 2020-01: Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement (“SPFS”) is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process

Material Weakness

Condition: During our audit procedures we noted:

1. The amounts presented in the Special Purpose Financial Statement (“SPFS”) were inconsistent with the accounting policies described in the Notes to the SPFS. Two of twelve transactions selected for testing were incurred during the audit period, but were improperly excluded from the SPFS. These transactions were excluded because DAI used a different basis of accounting to recognize when these costs were incurred. The total value of the improperly excluded costs was \$642. The omission occurred both within the initial versions of the SPFS provided for audit and within the final version of the SPFS.
2. The following errors were identified on the SPFS and within its notes:
 - SPFS Note 4 – Revenue did not include a description of the fees earned under the Task Order. DAI corrected Note 4 in the final Notes to the SPFS presented in this report.
 - The budget figures reported on the Statement did not agree to modification 12 which realigned the Task Order budget on June 30, 2019. The SPFS was corrected to reflect the budget as stated in Modification 12.

	Modification 12	SPFS Budget	Difference
Total	\$29,534,401	\$29,534,401	\$0

Whereas the misstatements in both the notes and the amounts presented on the SPFS were material, a material weakness in internal control over financial reporting was observed.

Criteria: SIGAR requires presentation of revenues earned, costs incurred, and balance for the period under audit in accordance with accounting principles generally accepted in the United States of America or other comprehensive basis of accounting.

The Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) Internal Control – Integrated Framework states, “Internal control is a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.”

DAI stated, within Note 1 to the SPFS, that “[t]he information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (‘SIGAR’) and is specific to the contract.”

DAI stated, within Note 2 to the SPFS, that “[t]he SPFS presented is based on costs billed to the client during/for the period under audit.”

Questioned Costs: None. The finding does not reflect noncompliance with the terms and conditions of the agreement between USAID and DAI such that there are no costs in question.

(Continued)

DAI GLOBAL, LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDER AID-306-TO-15-00073
For the Period December 1, 2019 to September 1, 2020

Effect: The SPFS was not fairly presented. Moreover, Management's inconsistency regarding the organization's use of the basis of accounting and identification of when costs are incurred under the contract increases the likelihood that costs are submitted for reimbursement in the incorrect period. As DAI will likely be prompted to prepare a SPFS in future audits of federally-funded programs, these inconsistencies in cost presentation with the stated basis of accounting will likely prompt continued challenges in producing a fairly presented SPFS.

Due to the identified misstatements and DAI's failure to provide sufficient, appropriate audit evidence to demonstrate costs incurred and revenue earned as reported on the SPFS are consistent with the note disclosures, one cannot conclude the SPFS is fairly presented and a disclaimer of opinion has been reported.

Cause: DAI had insufficient controls surrounding the preparation and review of the SPFS and the corresponding notes to the SPFS. In addition, DAI does not have a documented financial reporting policy prescribing the basis of accounting utilized to determine when costs are recorded in its accounting systems. As a result, the SPFS was not fairly presented.

Recommendation: We recommend DAI:

1. Develop and document a procedure regarding the review and approval of SPFS's to ensure accurate, complete presentation of financial data;
2. Identify and communicate in writing to personnel responsible for financial management and reporting the basis of accounting that DAI will utilize for financial reporting to determine when costs are recorded in its financial systems; and
3. Identify and document a consistent basis of accounting for recording and reporting all financial transactions and activities.

(Continued)

DAI GLOBAL, LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDER AID-306-TO-15-00073
For the Period December 1, 2019 to September 1, 2020

FINDING 2020-02: Inaccurate Property Records

Significant Deficiency and Non-Compliance

Condition: DAI did not maintain accurate property records in accordance with Federal requirements. During our testing of Musharikat's property records, Crowe noted the following:

- Two (2) of the sixty (60) property samples tested were classified as non-expendable on the Nonexpendable property list. These same property items were classified as Security Equipment – Expendable on the Annual Inventory Report. The exceptions were noted on the following sample selections and corresponding DAI code numbers:
 - Sample 19 – MUS-O-KAB-15-1092
 - Sample 28 – MUS-O-KAB-15-1104

- Seven (7) of sixty (60) equipment samples tested had unit acquisition costs that did not agree with the inventory report provided for audit. The exceptions were noted on the following sample selections and corresponding DAI code numbers:

Sample #	DAI Code #	Unit Cost per Annual Inventory of Government Property Report	Unit Cost per Source Records	Difference
7	MUS-O-KAB-16-559	\$ 518.24	\$ 3,383.90	\$ 2,865.66
9	MUS-O-KAB-16-538	972.36	895.80	(76.56)
19	MUS-O-KAB-15- 1092	0	1,000.00	1,000.00
21	MUS-O-KAB-16-336	518.24	528.12	9.88
25	MUS-O-KAB-16-339	518.24	528.12	9.88
26	MUS-O-KAB-17-630	518.24	650.49	132.25
28	MUS-O-KAB-15- 1104	0	1,000.00	1,000.00
Total		\$ 3,045	\$ 7,986	\$ 4,941

Criteria: Pursuant to FAR 52.245-1(f)(1)(iii), Records of Government Property, "The Contractor shall create and maintain records of all Government property accountable to the contract, including Government furnished and contractor acquired property.

- (A) Property records shall enable a complete, current, auditable record of all transactions and shall, unless otherwise approved by the Property Administrator, contain the following:
- (1) The name, part number and description, National Stock Number (if needed for additional item identification tracking and/or disposition,) and other data elements as necessary and required in accordance with the terms and conditions of the contract.
 - (2) Quantity received (or fabricated), issued, and balance-on-hand.
 - (3) Unit acquisition cost.
 - (4) Unique-item identifier or equivalent (if available and necessary for individual item tracking).
 - (5) Unit of measure.
 - (6) Accountable contract number or equivalent code designation.
 - (7) Location.
 - (8) Disposition.
 - (9) Posting reference and date of transaction.
 - (10) Date placed in service (if required in accordance with the terms and conditions of the contract)..."

(Continued)

DAI GLOBAL, LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDER AID-306-TO-15-00073
For the Period December 1, 2019 to September 1, 2020

DAI's Policy 9, Governing Policy on Procurement and Inventory Management, states, "The Chief of Party (COP) is responsible for ensuring compliance to this policy, assigning adequate resources to ensure segregation of duties, and that all procedures are followed, to avoid putting DAI at any financial or audit risk."

DAI's Policy 9, Governing Policy on Procurement and Inventory Management, includes the following definitions:

Non-Expendable goods (NXP) are "property which is complete in itself and does not lose its identity or become a component part of another article when put into use ; is durable with an expected life of two years or more; and has a unit cost of more than \$500."

Expendable goods (EP) are items whose value is under \$500 and have an expected life of two years or more. Some expendable goods would be inventoried, like a digital camera, mobile phone, a chair or a table; some would not, like a key board, a flash disk, or a garbage can.

Questioned Costs: No costs are questioned as no instances were identified in which the government property was not reasonable, allocable, and allowable.

Effect: Under-developed internal controls over government property led to incomplete property records, non-compliance with federal regulations, and could lead to the loss or misappropriation of government property.

Cause: DAI's procedures for overseeing and managing government property do not specifically include requirements for reviewing and validating the required property record elements against the equipment listings for accuracy and completeness to ensure property is recorded and reported accurately.

Recommendation: We recommend DAI:

1. Establish procedures for maintaining property records in accordance with the FAR to ensure property record-keeping accurately reflects the current state of government property held under the program. As part of this effort, establish procedures for reviewing and validating the required property record elements against the equipment listings for accuracy and completeness;
2. Correct the property records in advance of task order closeout in 2021; and
3. Establish a reconciliation or review process to detect and correct instances in which property items are inconsistently classified as either non-expendable or expendable items.

DAI GLOBAL, LLC
SECTION II: SUMMARY SCHEDULE OF PRIOR AUDIT REVIEW AND ASSESMENT FINDINGS
TASK ORDER AID-306-TO-15-00073
For the Period December 1, 2019 to September 1, 2020

Crowe reviewed five prior audits, reviews, or assessment reports. One of the five reports contained findings and recommendations. We assessed the findings to ascertain whether the matters reported in the findings were direct and material to the Special Purpose Financial Statement (“SPFS”) or other financial significant to the audit objectives. One report contained three findings and recommendations Crowe determined to be significant to the audit objectives, therefore, requiring follow-up procedures over the corrective actions. 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 20-16-FA USAID’s Afghan Women in the Economy Project: Audit of Costs Incurred by DAI Global LLC;
2. SIGAR Audit 20-14-FA USAID’s Assistance to the Legislative Bodies of Afghanistan Project: Audit of Costs Incurred by DAI Global LLC;
3. SIGAR Audit 19-41-FA USAID’s Regional Agricultural Development Program in Northern Afghanistan: Audit of Costs Incurred by DAI Global LLC;
4. SIGAR Audit 18-61-FA USAID’s Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc.
5. Financial Audit of Costs Incurred for Afghanistan Including a Review of Compliance with Vetting Procedures by Development Alternatives, Inc. (“DAI”) Under: a) Agricultural Credit Enhancement (ACE-II) project, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

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

Finding No. 2018-01: Inadequate Supporting Documentation for Musharikat Expenditures

Report: Financial Audit of Costs Incurred for Afghanistan Including a Review of Compliance with Vetting Procedures by Development Alternatives, Inc. (“DAI”) Under: a) Agricultural Credit Enhancement (ACE-II) project, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Issue: DAI did not retain the documentation necessary to support the allowability of costs or compliance with cost principles. Many local country employees were missing step, grade, and compensation scale information, and two expenditures did not tie to payroll statements.

Status: DAI provided documentation supporting the allowability and compliance with cost principles for the questioned expenditures from the prior audit. In addition, Crowe performed testing procedures in the current audit period over the allowability, allocability, and reasonableness of expenditures and noted no exceptions. This finding was not repeated.

(Continued)

DAI GLOBAL, LLC
SECTION II: SUMMARY SCHEDULE OF PRIOR AUDIT REVIEW AND ASSESMENT FINDINGS
TASK ORDER AID-306-TO-15-00073
For the Period December 1, 2019 to September 1, 2020

Finding No. 2018-02: Accuracy of Property Records

Report: Financial Audit of Costs Incurred for Afghanistan Including a Review of Compliance with Vetting Procedures by Development Alternatives, Inc. ("DAI") Under: a) Agricultural Credit Enhancement (ACE-II) project, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Issue: DAI did not maintain accurate property records in accordance with requirements. Many records were missing required variables, including location or acquisition cost. In addition, property records did not agree to inventory counts or to DAI's general ledger.

Status: During our testing in the current audit period Crowe noted that DAI did not maintain accurate records of government property. Specifically, items on the annual inventory report of government property were misclassified and contained unit acquisition costs inconsistent with the costs on the source documents and reported in the general ledger. Crowe noted that this matter was identified during the current audit; see finding 2020-02. The corrective action was, therefore, inadequate.

Finding No. 2018-05: Lack of Evidence of Management Review and Approval and Untimely Filing of Quarterly Reports

Report: Financial Audit of Costs Incurred for Afghanistan Including a Review of Compliance with Vetting Procedures by Development Alternatives, Inc. ("DAI") Under: a) Agricultural Credit Enhancement (ACE-II) project, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Issue: DAI did not exercise adequate controls over quarterly reporting to ensure appropriate review of the report by Management prior to submission to USAID. In addition, DAI did not have adequate controls in place over reporting, which resulted in three (3) of six (6) quarterly reports being submitted past the required due date.

Status: DAI updated its procedures to include management's review and approval of quarterly reports, after the Chief of Party ("COP") has approved, but before the report is submitted to USAID. Crowe selected two quarterly reports from the current period and requested proof of review and approval. DAI provided documentation supporting management's review and approval of the reports. Additionally, the reports were submitted within the deadlines described in Modification 7 of the Task Order. This finding was not repeated.

Appendix A: Views of Responsible Officials



August 16, 2021

Crowe LLP
1455 Pennsylvania Avenue N.W, Suite 700
Washington DC 20005

Subject: DAI Global LLC's Management Response to the Special Purpose Financial Statement audit of the United States Agency for International Development (USAID) funded Musharikat Program, Task Order No. AID-306-TO-15-00073, for the period December 1, 2019 through September 1, 2020

This document is to provide DAI's response to the draft audit finding and recommendation identified in the subject audit report. Below you will find our response to the finding and where applicable, referenced additional support documentation is also included.

DAI would like to thank Crowe LLP for providing DAI the opportunity to respond to the findings and recommendations as reported under SIGAR's Special Purpose Financial Statement audit.

FINDING 2020-01: Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement ("SPFS") is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process.

Material Weakness

Condition: During our audit procedures we noted:

1. The amounts presented in the Special Purpose Financial Statement ("SPFS") were inconsistent with the accounting policies described in the Notes to the SPFS. Two of twelve transactions selected for testing were incurred during the audit period, but were improperly excluded from the SPFS. These transactions were excluded because DAI used a different basis of accounting to recognize when these costs were incurred. The total value of the improperly excluded costs was \$642. The omission occurred both within the initial versions of the SPFS provided for audit and within the final version of the SPFS.
2. The following errors were identified on the SPFS and within its notes:
 - SPFS Note 4 – Revenue did not include a description of the fees earned under the Task Order. DAI corrected Note 4 in the final Notes to the SPFS presented in this report.
 - The budget figures reported on the Statement did not agree to modification 12 which realigned the Task Order budget on June 30, 2019. The SPFS was corrected to reflect the budget as stated in Modification 12.

Whereas the misstatements in both the notes and the amounts presented on the SPFS were material, a material weakness in internal control over financial reporting was observed.

(Continued)

Criteria: SIGAR requires presentation of revenues earned, costs incurred, and balance for the period under audit in accordance with accounting principles generally accepted in the United States of America or other comprehensive basis of accounting.

The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control – Integrated Framework states, "Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."

DAI stated, within Note 1 to the SPFS, that "[t]he information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ('SIGAR') and is specific to the contract."

DAI stated, within Note 2 to the SPFS, that "[t]he SPFS presented is based on costs billed to the client during/for the period under audit."

Questioned Costs: None. The finding does not reflect noncompliance with the terms and conditions of the agreement between USAID and DAI such that there are no costs in question.

Effect: The SPFS was not fairly presented. Moreover, Management's inconsistency regarding the organization's use of the basis of accounting and identification of when costs are incurred under the contract increases the likelihood that costs are submitted for reimbursement in the incorrect period.

As DAI will likely be prompted to prepare a SPFS in future audits of federally-funded programs, these inconsistencies in cost presentation with the stated basis of accounting will likely prompt continued challenges in producing a fairly presented SPFS. Due to the identified misstatements and DAI's failure to provide sufficient, appropriate audit evidence to demonstrate costs incurred and revenue earned as reported on the SPFS are consistent with the note disclosures, one cannot conclude the SPFS is fairly presented and a disclaimer of opinion has been reported.

Cause: DAI had insufficient controls surrounding the preparation and review of the SPFS and the corresponding notes to the SPFS. In addition, DAI does not have a documented financial reporting policy prescribing the basis of accounting utilized to determine when costs are recorded in its accounting systems. As a result, the SPFS was not fairly presented.

Recommendation: We recommend DAI:

1. Develop and document a procedure regarding the review and approval of SPFS's to ensure accurate, complete presentation of financial data;
2. Identify and communicate in writing to personnel responsible for financial management and reporting the basis of accounting that DAI will utilize for financial reporting to determine when costs are recorded in its financial systems; and
3. Identify and document a consistent basis of accounting for recording and reporting all financial transactions and activities

DAI Global LLC's Management Response to Finding 2020-01 - Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement ("SPFS") is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process:

DAI will take into consideration the recommendation of the Auditor pertaining to the preparation of Special Purpose Financial Statements (SPFS) in accordance with SIGAR requirements and to develop and document a procedure regarding the review and approval of the SPFS to ensure accuracy. We note, however, that we do not prepare financial statements or do financial reporting at the project level, and that the SPFS format of presentation is not informative of any remaining unused and/or available funds under

(Continued)

task order number AID-306-TO-15-00073. We therefore do not consider that the finding presented by the Auditor materially impacts the reliability of DAI's corporate financial reporting, or increases the vulnerability of fraud in financial transactions, results reporting, grant awards, or the procurement of goods or services.

DAI maintains that the amounts presented in the Special Purpose Financial Statements are consistent with the approach presented in our revised Note 2: Basis of Accounting. The SPFS are based on costs billed to the Client during/for the period under audit. This is the only information relevant to the Client, since it directly correlates to what the Client paid DAI during the SPFS period. The transactions noted by the Auditor as "incurred during the audit period" were not billed to the Client and therefore not included in the SPFS, in order to maintain consistency with the basis of accounting outlined in Note 2. All costs in the audit period were audited, all billed costs were captured in the SPFS and were reviewed by auditors, and no questioned costs were identified. The project General Ledger ties out to the SPFS and invoices submitted to USAID during the period under audit. We therefore disagree with the Auditor's assertion that our approach was inconsistent and that the inclusion of "incurred during the audit period" transactions in a subsequent accounting period necessitates a disclaimer of opinion on the SPFS.

DAI Global, LLC complies with Generally Accepted Accounting Principles (GAAP) (i.e., the accrual basis of accounting) on an annual basis (i.e., DAI's established financial and cost accounting period). As such, all expenditures are recognized following the cost principles contained in DAI Global, LLC's Cost Accounting Standards (CAS) Disclosure Statement. This is a documented financial reporting policy prescribing the basis of accounting used to determine when and how costs are recorded in our accounting system. Moreover, DAI's compliance with GAAP is examined annually, through the regular audit of DAI's annual financial statements. DAI's compliance with our CAS Disclosure Statement and annual incurred cost reporting requirements has been evaluated by USAID and independent contract auditors with no exceptions or omissions noted. DAI's accounting system was also reviewed and certified by the DCAA. We therefore do not agree with the Auditor's assertion of deficient and/or undocumented financial reporting policies.

Per DAI's CAS Disclosure Statement, vendor/subcontractor invoices processed through our US office are recognized based on the date on the document (invoice). Accruals for amounts incurred in a particular accounting period but payable in a subsequent period are recorded at the end of DAI's fiscal year (31 December), on the corporate ledger level. Recording accruals by project by month would be onerous to DAI, unnecessary from a GAAP standpoint, not required for government contract cost accounting, and redundant from a standpoint of examining the costs incurred for allowability, allocability, and reasonableness.

Special Purpose Financial Statements are financial statements prepared in accordance with a special purpose framework, which are not required to conform to GAAP. Each SPFS represents only a selected, specific portion of the operations of DAI Global, LLC, not the financial position, changes in net assets, or cash flows of DAI Global LLC. Therefore, the amounts in these statements will differ from the amounts presented in DAI's annual financial statements. Monthly accruals are neither contractually required of DAI, nor mandated by applicable regulations, nor required by GAAP.

The basis of accounting for these statements is the Auditee's choice, and, per the definition in Generally Accepted Auditing Standards, can be any basis used by the Auditee "to comply with an agreement between the entity and one or more third parties other than the Auditor", as long as it "uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements". By using the billed cost criterion and applying it consistently, which the Auditor does not disagree with, DAI has complied with this requirement.

DAI notes that the same basis of accounting was used in previous SIGAR, Accountable Assistance for Afghanistan (A3) and other USAID-contracted audits, including multiple audits conducted by Crowe LLP. In none of these prior audits was the question of adequacy or consistency raised by either the auditor, by SIGAR, or by USAID. DAI's notes to the financial statements were identical to the notes provided to auditors in the past, which until now were consistently unquestioned by and acceptable to Crowe LLP.

(Continued)

We also note that the DAI provided internal approval of the SPFS and revised the SPFS accordingly for any required clarifications and or updates during the course of the audit fieldwork. The Special Purpose Financial Statement correctly included fees earned under the Task Order, but a description of the amount of fees earned were inadvertently left out of its corresponding Note 4, which was subsequently corrected to match the fees presented on the Schedule. Also, the budget figures on the Special Purpose Financial Statement were updated to reflect the Modification 12 budget realignment to the Task Order. It is unclear what criteria the Auditor used to single out these updates and clarifications as a “material weakness”, as none of these corrections and or changes would have impacted the billing or reporting of costs to USAID, and did not affect the allowability, allocability, or reasonableness of reported expenditures.

Our understanding is that the purpose of the audit was to validate costs (incurred) and billed by DAI to USAID in the audit period. I.e. to opine whether the costs billed to the government are allowable, allocable and reasonable and in compliance with the contract. To that end, we summarized all billed cost in the period in a schedule that captures what DAI invoiced and the Government reimbursed in the period. DAI is very concerned about the effect a disclaimer of opinion could have on DAI’s business reputation and public visibility. We spent considerable time and effort providing information to the Auditor, only to end up with a disclaimer of opinion of questionable relevance to the purpose of the audit, and to USAID and SIGAR objectives in safeguarding US Government funds. DAI is also concerned about how this disclaimer of opinion would be actionable and how or what would SIGAR and or USAID require DAI to do to address this in future audits.

We have undertaken several attempts to resolve this issue, soliciting input from external industry experts and meeting with the Auditors. The end result is that the disclaimer of opinion is still maintained in this report despite DAI making many required changes to its Special Purpose Financial Notes.

FINDING 2020-02: Inaccurate Property Records

Significant Deficiency and Non-Compliance

Condition: DAI did not maintain accurate property records in accordance with Federal requirements. During our testing of Musharikat’s property records, Crowe noted the following:

- Two (2) of the sixty (60) property samples tested were classified as non-expendable on the Nonexpendable property list. These same property items were classified as Security Equipment – Expendable on the Annual Inventory Report. The exceptions were noted on the following sample selections and corresponding DAI code numbers:
 - Sample 19 – MUS-O-KAB-15-1092
 - Sample 28 – MUS-O-KAB-15-1104
- Seven (7) of sixty (60) equipment samples tested had unit acquisition costs that did not agree with the inventory report provided for audit. The exceptions were noted on the following sample selections and corresponding DAI code numbers:

Sample#	DAI Code #	Unit Cost per Annual Inventory of Government Property Report	Unit Cost per Source Records	Difference
7	MUS-O-KAB-	\$518.24	\$3,383.90	\$2,865.66
9	MUS-O-KAB-	972.36	895.80	(76.56)
19	MUS-O-KAB-1092	0	1,000.00	1,000.00
21	MUS-O-KAB-	518.24	528.12	9.88
25	MUS-O-KAB-	518.24	528.12	9.88
26	MUS-O-KAB-	518.24	650.49	132.25
28	MUS-O-KAB-1104	0	1,000.00	1,000.00
Total		\$3,045	\$7,986	\$ 4,941

(Continued)

Criteria: Pursuant to FAR 52.245-1(f)(1)(iii), Records of Government Property, "The Contractor shall create and maintain records of all Government property accountable to the contract, including Government furnished and contractor acquired property.

(A) Property records shall enable a complete, current, auditable record of all transactions and shall, unless otherwise approved by the Property Administrator, contain the following:

- 1) The name, part number and description, National Stock Number (if needed for additional item identification tracking and/or disposition,) and other data elements as necessary and required in accordance with the terms and conditions of the contract.
- 2) Quantity received (or fabricated), issued, a balance on-hand.
- 3) Unit acquisition cost.
- 4) Unique-item identifier or equivalent (if available and necessary for individual item tracking).
- 5) Unit of measure.
- 6) Accountable contract number or equivalent code designation.
- 7) Location.
- 8) Disposition.
- 9) Posting reference and date of transaction.
- 10) Date placed in service (if required in accordance with the terms and conditions of the contract)..."

DAI's Policy 9, Governing Policy on Procurement and Inventory Management, states, "The Chief of Party (COP) is responsible for ensuring compliance to this policy, assigning adequate resources to ensure segregation of duties, and that all procedures are followed, to avoid putting DAI at any financial or audit risk."

DAI's Policy 9, Governing Policy on Procurement and Inventory Management, includes the following definitions:

- **Non-Expendable goods** (NXP) are "property which is complete in itself and does not lose its identity or become a component part of another article when put into use ; is durable with an expected life of two years or more; and has a unit cost of more than \$500."
- **Expendable goods** (EP) are items whose value is under \$500 and have an expected life of two years or more. Some expendable goods would be inventoried, like a digital camera, mobile phone, a chair or a table; some would not, like a key board, a flash disk, or a garbage can.

Questioned Costs: No costs are questioned as no instances were identified in which the government property was not reasonable, allocable, and allowable.

Effect: Under-developed internal controls over government property led to incomplete property records, non-compliance with federal regulations, and could lead to the loss or misappropriation of government property.

Cause: DAI's procedures for overseeing and managing government property do not specifically include requirements for reviewing and validating the required property record elements against the equipment listings for accuracy and completeness to ensure property is recorded and reported accurately.

Recommendation: We recommend DAI:

1. Establish procedures for maintaining property records in accordance with the FAR to ensure property record-keeping accurately reflects the current state of government property held under the program. As part of this effort, establish procedures for reviewing and validating the required property record elements against the equipment listings for accuracy and completeness.
2. Correct the property records in advance of task order closeout in 2021; and
3. Establish a reconciliation or review process to detect and correct instances in which property items are inconsistently classified as either non-expendable or expendable items.

(Continued)

DAI Global LLC's Management Response to Finding 2020-02 - Inaccurate Property Records:

DAI concurs that there are a few instances of discrepancies in inventory valuation and classification on Musharikat's non-expendable (NXP) property records, as identified above under Finding 2020-02. Required corrections to address identified discrepancies have been updated in the project's final inventory report submitted to USAID.

DAI does not concur with the Auditor's recommendation that DAI needs to establish procedures for maintaining property records in accordance with relevant FAR provisions. DAI maintains that Musharikat's property records are complete and that our inventory management process is appropriate and adequate and in compliance with relevant FAR requirements. Adequate documentation to support the value of each property item is maintained in the property records. All items of non-expendable property purchased under the Musharikat contract are tracked by the acquisition cost of the item, in accordance with FAR 52.245-1(a). Non-expendable property received from the client and/or other USAID implementing partners is also tracked as part of Musharikat's inventory, per the requirements of DAI Operating Procedure 9.6, Inventory Management. In isolated instances of error in the inventory tracker, the correct acquisition cost, date, description, and other reporting elements can be readily obtained from the project's financial records. DAI/Musharikat inventory management policy establishes a review and reconciliation process to detect and correct discrepancies between financial records and the inventory tracker. However, in light of this finding, we will further systematize the process through clear action steps, roles and responsibilities.

In addition, DAI conducted a comprehensive training to the entire MENA & Afghanistan Senior Project Management team on April 28, 2021. The training highlighted the importance of timely and accurate annual inventory reports to USAID.

DAI believes that our management comments provided above properly address the identified deficiencies and reflects our commitment to implementing and ensuring adequate controls and compliance with relevant policies applicable regulations and will make sure to share and emphasize any lessons learned from any this audit to ensure that our policies, procedures and operations adequately addresses any identified deficiencies.

Please do not hesitate to contact DAI if you have any further questions, would require additional information, or wish to further discuss DAI responses provided in this letter.

Sincerely,

Raul Pinto
Director, Internal Audit

Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management response of DAI Global ("DAI" or "the auditee") response to the report audit finding provided to Crowe on August 16, 2021. In consideration of those views, Crowe has included the following rebuttal to certain matters presented by the auditee. Crowe incorporates a rebuttal in those instances where management disagrees with the facts presented within the condition, does not concur with Crowe's recommendation, or provides additional documentation for review. In those instances where management either agrees with the finding or does not disagree with the facts in the finding, as presented, no rebuttal is provided. Using this framework, Crowe has incorporated two rebuttals to management's comments, below.

FINDING 2020-01: Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement ("SPFS") is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process.

DAI disagreed with the finding that the amounts presented in the Special Purpose Financial Statement ("SPFS") were inconsistent with the accounting policies described in the Notes to the SPFS. Crowe noted that during the course of the SPFS preparation, DAI changed the basis of accounting from the Cash Basis to costs billed to USAID during/for the period under audit.

We have reviewed management's response and noted that 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.

FINDING 2020-02: Inaccurate Property Records

DAI did not disagree with the facts presented in the finding. DAI partially disagreed with the recommendation provided by Crowe to establish procedures for reviewing and validating the required property record elements against the equipment listings for accuracy and completeness. It is not evident in the reports provided by DAI that the financial records accurately reflect the current state of property under the program. Additionally, DAI has agreed to further systematize the process through clear action steps, roles and responsibilities. As such, the finding has not been changed.

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