

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-37 Financial Audit

State's Support of Strategic Communications in the National Unity Government of Afghanistan: Audit of Costs Incurred by Albany Associates International Ltd.

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



AUGUST
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 22, 2017, the U.S. Department of State (State) awarded a \$1,176,958 grant agreement to Albany Associates International Ltd. (Albany) to develop the capacity of the Afghan National Unity Government's strategic communications. The objectives of the agreement were to, among other activities, support reform and capacity building in Afghan government institutions so that they could communicate in a more effective, transparent, and coherent way with the Afghan people. State modified the contract four times; the total award amount increased to \$3,375,365, and the period of performance extended from September 30, 2018, through December 31, 2020.

SIGAR's financial audit, performed by Crowe LLP (Crowe) reviewed \$3,365,165 in costs charged to the agreement from October 1, 2017, through December 31, 2020. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Albany's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Albany has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Albany's Special Purpose Financial Statement (SPFS).

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.

August 2022

State's Support of Strategic Communications in the National Unity Government of Afghanistan: Audit of Costs Incurred by Albany Associates International Ltd.

SIGAR 22-37-FA

WHAT SIGAR FOUND

Crowe identified four material weaknesses and four significant deficiencies in Albany's internal controls, and seven instances of noncompliance with the terms of the agreement. For example, Albany was unable to provide documentation demonstrating that all the contractors it selected to assist with accomplishing the grant objectives were included in Albany's original proposal submitted to or approved by State. In addition, Albany could not provide documentation to support the competitive bidding process or justification for cost reasonableness of these contractors, as required by the grant agreement. Furthermore, the auditors tested transactions to determine if costs were allowable, reasonable, and allocable to the program. The auditors found that in some cases documentation was either missing or insufficient. In another instance, the auditors found a duplicate payment and that Albany did not provide evidence of payment for several transactions.

The internal control deficiencies and instances of noncompliance resulted in \$363,658 in total questioned costs, consisting entirely of unsupported costs—costs not supported with adequate documentation or that do not have required prior approval. Crowe did not identify any ineligible costs—costs prohibited by the agreement and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Personnel	\$0	██████	██████
Travel	\$0	██████	██████
Other Direct Costs	\$0	██████	██████
Indirect Costs	\$0	██████	██████
Total Costs	\$0	\$363,658	\$363,658

Crowe did not identify any prior audit reports that may be direct and material to the SPFS and other financial data that are significant to this audit's objectives.

Auditing standards require auditors to issue an adverse opinion on an SPFS when both material and pervasive misstatements are evident on financial statements. Crowe issued an adverse opinion on Albany's SPFS due to misstatements in a number of line items on the SPFS that were both material and pervasive. Crowe concluded that Albany's SPFS did not fairly present financial information due to the amount of questioned costs and lack of compliance for the period October 1, 2017, through December 31, 2020.

WHAT SIGAR RECOMMENDS

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

1. Determine the allowability of and recover, as appropriate, \$363,658 in questioned costs identified in the report.
2. Advise Albany to address the report's eight internal control findings.
3. Advise Albany to address the report's seven noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

August 30, 2022

The Honorable Antony J. Blinken
Secretary of State

We contracted with Crowe LLP (Crowe) to audit the costs incurred by the Albany Associated International Ltd. (Albany) under a grant agreement from the Department of State (State) to develop the capacity of the Afghan National Unity Government's strategic communications.¹ The objectives of the agreement were to, among other activities, support reforms and capacity building in Afghan government institutions so that they could communicate in a more effective, transparent, and coherent way with the Afghan people. Crowe reviewed \$3,365,165 in costs charged to the agreement from October 1, 2017, through December 31, 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 agreement officer at State:

- 1. Determine the allowability of and recover, as appropriate, \$363,658 in questioned costs identified in the report.**
- 2. Advise Albany to address the report's eight internal control findings.**
- 3. Advise Albany to address the report's seven noncompliance findings.**

Crowe discusses the results of the audit in detail in the attached report. We reviewed Crowe's report and related documentation. We also inquired about Crowe's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Albany's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws, and other matters. Crowe is responsible for the attached auditor's report, dated May 30, 2022, and the conclusions expressed therein. However, our review disclosed no instances in which Crowe did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-219)

¹ The agreement number is SAF20017GR036.



Albany Associates International Ltd.

**Support Strategic Communications in the
National Unity Government of Afghanistan**

Grant Agreement No. SAF20017GR036

Special Purpose Financial Statement

For the Period October 1, 2017 through December 31, 2020

(With Independent Auditor's Report Thereon)

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TRANSMITTAL LETTER

June 10, 2022

To the Board of Directors and Management of
Albany Associates International Ltd.
Tintagel House, 92 Albert Embankment
London, England SE1 7TY

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of Albany Associates International Ltd. ("Albany Associates") special purpose financial statement to United States Department of State ("State") grant agreement number SAF20017GR036 regarding the Support Strategic Communications in the National Unity Government of Afghanistan program for the period October 1, 2017 through December 31, 2020.

Within the pages that follow we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Special Purpose Financial Statement, our report on internal control and our report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of Albany Associates, State, and the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses are incorporated as Appendix A to this final report.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of Albany Associate's grant agreement.

Sincerely,

A handwritten signature in black ink that reads "John C. Weber".

John C. Weber, CPA
Partner
Crowe LLP

Summary

Background

On September 22, 2017, the U.S. Department of State (“State”) awarded grant number SAF20017GR036 to Albany Associates International Ltd. (“Albany Associates”) to develop the capacity of the Afghan National Unity Government’s (“NUG”) central communications institutions to strategically communicate in a more effective, transparent, and coherent way with the people of Afghanistan. The initial award amount was \$1,176,958 with a period of performance from October 1, 2017, through September 30, 2018. The State modified the grant four times which increased the total funding to \$3,375,365 and extended the period of performance through December 31st, 2020. The grant was intended to implement institutional reforms at the Government Media Information Center and the Presidential Palace through advising and mentoring Afghan communications personnel and establishing News Desks. Albany Associates agreed to meet the following specific objectives:

- Carry out a Skills and Needs Assessment of all current staff in the Afghan Government Communications Directorates.
- Deliver sustainable capacity development across the Afghan government’s communications teams, including by training and advising key Afghan managers and decision makers.
- Improve the government’s and other key Afghan institutions’ communicators’ understanding of traditional, digital, and social media so that they can shift from a reactive to a strategically proactive communications posture, timely and effectively communicating their policies, achievements, priorities, and messages effectively to their audiences, including thru coordinated public engagement campaigns, while assessing effectiveness through public reaction, analysis, and polling.
- Implement institutional reforms at the Government Media Information Center (“GMIC”) and the Palace (in particular the Modern Communications Operating Model and GMIC Change Management Strategy, as approved by the President of Afghanistan), through advising and mentoring Afghan communications personnel on the establishment of a Campaigns Department and News Desks and reporting on the communications and process.
- Improve the ability of important Afghan institutions, such as the Independent Electoral Commission, to communicate effectively in support of peaceful resolution of the conflict and transparent conduct of elections and increase the population’s awareness of democratic processes (e.g., elections).
- Strengthen coordination between the Presidential Palace, GMIC, provincial representatives and government ministries to improve messaging dissemination to Afghan citizens, particularly at the provincial level.
- Strengthen media engagement capacity of ministers, provincial governors, and provincial chiefs of police through training and on-camera interview skills development.
- Boost the capacity of provincial government representatives to function more effectively and disseminate the government’s communications outputs to targeted local audiences.
- Foster smooth operation and organization of press conferences held across the government and other relevant governmental and non-governmental institutions.
- Support improved information coordination at the GMIC to collate and analyze data, mentoring production of coordinated reporting products.
- Initiate the process for the Afghan Government to build narratives and core messages, including Target Audience Analysis (“TAA”).

(Continued)

- Provide support in drafting the Government of the Islamic Republic of Afghanistan (“GIRoA”) Communications Strategy.
- Help the Afghan Government develop an ‘Easy, Attractive, Social and Timely’ (“EAST”) approach to social media engagement.
- Procure needed equipment identified via capabilities assessments of public affairs offices and provincial media and information centers.

Four (4) modifications to the grant agreement increased the total funding to \$3,375,365 and extended the period of performance from September 30, 2018 to December 31, 2020. The modifications are summarized below:

Modification No.	Highlights
1	<ul style="list-style-type: none"> • Eliminate tasks deemed nonessential by the GIRoA POC and substitute other more critical requirements. • The budget and period of performance remain unchanged.
2	<ul style="list-style-type: none"> • Add \$849,401 in funds to enable Recipient to continue building strategic communications capacity in Afghan government. • Extend the period of Performance from September 30, 2018 to September 30, 2019.
3	<ul style="list-style-type: none"> • Add \$1,349,006 in funds to extend award enabling the Recipient to continue building strategic communications capacity in Afghan government. • Extend the period of Performance from September 30, 2019 to September 30, 2020.
4	<ul style="list-style-type: none"> • Extend the period of performance from September 30, 2020 to December 31, 2020.

Our audit procedures included a review of total costs incurred of \$3,365,165 reported by Albany Associates for the period October 1, 2017, through December 31, 2020.

Work Performed

Crowe LLP (“Crowe”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of costs incurred under grant agreement SAF20017GR036 by Albany Associates regarding the Support Strategic Communications in the National Unity Government of Afghanistan program for the period October 1, 2017 through December 31, 2020.

Objectives Defined by SIGAR

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

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether Albany Associates' Special Purpose Financial Statement (SPFS) for the grant agreement presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

Evaluate and obtain a sufficient understanding of Albany Associates' internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 3 – Compliance

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

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

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

Scope

The scope of the audit included total reported costs incurred of \$3,365,165 reported during the period October 1, 2017, through December 31, 2020. The audit was limited to those matters and procedures pertinent to the grant agreement 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 reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

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

(Continued)

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the auditee's internal controls over compliance and financial reporting and determined if adequate corrective action was taken in response to prior audit, assessment, and review comments, as applicable.

To address Audit Objective 1, which pertains to Albany Associates' SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded accurately and were consistent with the terms and conditions of the award; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the grant agreement if the cost benefited multiple objectives; and were adequately supported.

In order to address Audit Objective 2, which relates to Albany Associates' internal controls, 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 Albany Associates during the period of performance. To the extent documented policies and procedures were unavailable, Crowe conducted interviews with management and provided an internal control questionnaire 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 grant agreement. Crowe identified – through review and evaluation of the grant agreement executed by and between State and Albany Associates – 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, cash draws, procurements (purchase orders), and reports for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess Albany Associates' compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the agreed upon rate issued by State.

Regarding Audit Objective 4, Crowe inquired of Albany Associates, SIGAR, and State personnel participating in the audit entrance conference to understand whether there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. As a result of the aforementioned efforts, we identified no prior reports which contained findings and recommendations.

Summary of Results

Upon completion of Crowe's procedures, Crowe identified eight (8) findings that met one or more of the following criteria: (1) significant deficiencies in internal control; (2) material weaknesses in internal control; (3) noncompliance with rules, laws, regulations, or the terms and conditions of the grant agreement; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued an adverse opinion on the SPFS due to Albany Associates' inability to provide sufficient, appropriate audit evidence to support a material amount of costs recorded to various accounts on the SPFS.

(Continued)

Crowe also reported on both Albany Associates' internal controls over financial reporting and compliance with applicable laws, rules, regulations, and the terms and conditions of the grant agreement. In total, four (4) material weaknesses and four (4) significant deficiencies in internal control were reported. In addition, Crowe reported seven (7) instances of noncompliance. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

In response to identified instances of noncompliance, Crowe reported \$363,658 in questioned costs. The questioned costs include both costs incurred as reported on the SPFS, the agreed upon indirect costs rate, as well as the cost of services used on the project during the period covered by the SPFS. SIGAR requires that questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines unsupported costs as those that are not supported with adequate documentation or did not have required prior approvals or authorizations. Ineligible costs are those that are explicitly questioned because they are unreasonable; prohibited by the audited agreement or applicable laws and regulations; or are unrelated to the award. Therefore, we concluded that of the total questioned cost of \$363,658 are unsupported.

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

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to Albany Associates' activities under the grant agreement. Based on Crowe's communications with Albany Associates, SIGAR, and State, Crowe noted there were no financial statement and single audit reports related to the program that may be direct and material to the Special Purpose Financial Statement or other financial information significant financial data to the audit objectives.

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(Continued)

The following summary is intended to present an overview of the audit results and is not intended to be a representation of the audit's results in their entirety.

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2020-01	Absence of Documented Policies and Procedures	Material Weakness in Internal Control and Noncompliance	-
2020-02	Lack of Procurement Support	Material Weakness in Internal Control and Noncompliance	\$219,214
2020-03	Absence of Support for Allowable Costs	Material Weakness in Internal Control and Noncompliance	\$120,087
2020-04	Lack of Support for the Five Highly Compensated Executives and Report of Total Compensation	Significant Deficiency in Internal Control and Noncompliance	-
2020-05	Absence of Evidence of Payment	Significant Deficiency in Internal Control and Noncompliance	\$19,045
2020-06	Missing Support for Prior Approval from the Grants Officer and Proof of U.S. Flag Carrier Regarding Travel Costs	Material Weakness in Internal Control and Noncompliance	\$5,312
2020-07	Insufficient Checks for Vendor Suspension and Debarment	Significant Deficiency in Internal Control and Noncompliance	-
2020-08	Lack of Support for Review and Approval of Employee Time Records, Invoices, and Expense Reimbursement Reports	Significant Deficiency in Internal Control	-
Total Questioned Costs:			\$363,658

Summary of Management Comments

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

- Management agreed with findings 2020-01, 2020-04, 2020-06, 2020-07, and 2020-08.
- Management partially agreed with finding 2020-02 and stated that they are "aware that we didn't receive written confirmation from USEK/Grants officer approving our team members in advance, but all our team members were named in every budget and reports sent to USEK."
- Management partially agreed with finding 2020-03 and provided additional evidence in an attempt to support a transaction that was missing documentation.
- Management partially agreed with finding 2020-05 and provided additional evidence in an attempt to support the payment of a transaction that was previously missing.

Crowe has responded to each management response with a rebuttal in Appendix B. Crowe did not make any changes to the findings as a result of management's stated disagreement with each of the findings. Crowe noted that the support provided by Albany did not change the condition of each finding.

Reference to Appendices

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 the auditor's rebuttal.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the Board of Directors and Management of the
Albany Associates International Ltd.
Tintagel House, 92 Albert Embankment
London, England SE1 7TY

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

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement (the "Statement") of Albany Associates International Ltd. ("Albany Associates"), and related notes to the Statement, with respect to the Support Strategic Communications in the National Unity Government of Afghanistan program funded by United States Department of State ("State") grant agreement No. SAF20017GR036 for the period October 1, 2017, through December 31, 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 ("SIGAR") and the terms and conditions of grant agreement number SAF20017GR036. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

(Continued)

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

Basis for Adverse Opinion

Through our testing, we identified \$363,658 in questioned costs of reported direct and indirect costs. The \$363,658 amount is material to the Statement and impacts multiple accounts on the Statement. As a result of our testing, we identified a total of \$313,352 of questioned costs related to personnel, \$5,646 of questioned costs related to travel, and \$31,879 of questioned costs in the Other Direct Costs line item. As part of the total questioned costs, we also questioned the \$44,660 of indirect costs associated with the previously mentioned line-item questioned costs.

Adverse Opinion

In our opinion, because of the significance of the matters described in the “Basis for Adverse Opinion” paragraph, the statement referred to above does not present fairly the Statement for the period October 1, 2017 through December 31, 2020 in accordance with the requirements specified by SIGAR and the terms and conditions of the grant agreement No. SAF20017GR036.

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 the format required by SIGAR and presents those amounts as permitted under the terms of the State grant agreement No. SAF20017GR036, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the grant agreement referred to above.

Restriction on Use

This report is intended for the information of Albany Associates, the Department of State, and SIGAR. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 30, 2022, on our consideration of Albany Associates’ internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of Albany Associates’ 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 Albany Associates’ internal control over financial reporting and compliance.



Crowe LLP

May 30, 2022
Washington, D.C.

Albany Associates International Ltd.
Special Purpose Financial Statement
Grant Agreement No. SAF20017GR036
For the Period October 1, 2017, through December 31, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>		<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
Revenues					
Agreement Number SAF20017GR036	\$ 3,375,365	\$ [REDACTED]			
Total Revenue	<u>3,375,365</u>	<u>[REDACTED]</u>			2, 4
Costs Incurred					
Personnel	2,019,860	[REDACTED]	-	\$ [REDACTED]	5 A, B, C
Fringe Benefits	58,775	[REDACTED]	-		A
Travel	364,766	[REDACTED]	-	[REDACTED]	C, D
Equipment	5,000	[REDACTED]	-		
Supplies	11,400	[REDACTED]	-		
Contractual	-	[REDACTED]	-		
Construction	-	[REDACTED]	-		
Other Direct Costs	501,046	[REDACTED]	-	[REDACTED]	B
Indirect Costs	414,518	[REDACTED]	-	[REDACTED]	E
Total Costs Incurred	<u>3,375,365</u>	<u>[REDACTED]</u>			
Balance / Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 363,658</u>	6, F

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

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Grant Number S-AF200-170GR-036 for the Support for Strategic Communications in the National Unity Government of Afghanistan for the period October 2017 – December 2020. Because the Statement presents only a selected portion of the operations of Albany Associates it is not intended to and does not present the financial position, changes in net assets, or cash flows of Albany Associates. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal Grant. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Basis of Accounting

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

Note 3. Foreign Currency Translation Method

For purposes of preparing the Statement, translations from local currency to United States dollars were required. To translate local currency to the U.S. dollar, we converted at the rate in Xero, Albany Associate's accounting software, on the last working day of each month.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which Albany is entitled to receive from the U.S. Department of State for allowable, eligible costs incurred under the grant during the period of performance.

Note 5. Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component of the amendment 4 to the grant agreement dated 29th September 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 contract and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made

Note 7. Currency

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

Note 8. Program Status

The Support for the strategic Communications in the National Unity Government of Afghanistan is complete. The period of performance for the award concluded on December 31, 2020.

Note 9. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the October 1, 2017-December 31-2020, period covered by the Statement. Management has performed their analysis through May 30, 2022.

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Albany Associates International Ltd.
Notes to the Questioned Costs
Grant Agreement No. SAF20017GR036
For the Period October 1, 2017, through December 31, 2020

- A. Finding 2020-03 questioned [REDACTED] of unsupported direct costs as Albany Associates did not provide procurement support for 14 purchase orders. The total unsupported questioned cost amount of [REDACTED] impacted the personnel line item within the SPFS.
- B. Finding 2020-04 questioned [REDACTED] of unsupported direct costs as Albany Associates did not provide support for 5 samples selected for Allowable Cost testing. Of the [REDACTED] unsupported questioned costs, [REDACTED] impacted the other direct cost line item within the SPFS and [REDACTED] impacted the personnel line item of costs incurred.
- C. Finding 2020-06 questioned [REDACTED] of unsupported direct costs as Albany Associates did not provide support for evidence of payment for 3 samples selected for Allowable Cost testing. Of the [REDACTED] unsupported questioned costs, [REDACTED] impacted the personnel line item within the SPFS and [REDACTED] impacted the travel line item of costs incurred.
- D. Finding 2020-07 questioned [REDACTED] of unsupported direct costs as Albany Associates did not provide support that showed a U.S. Flag Carrier was used on international flights nor was it approved by the grants officer prior to the trip. The total unsupported questioned cost amount of [REDACTED] impacted the travel line item within the SPFS.
- E. For notes A through D to the questioned costs, Crowe included the 14% agreed upon indirect cost rate associated with the unsupported questioned direct costs which brings the total indirect questioned costs to [REDACTED].
- F. Balance reflects the total questioned costs of \$363,658.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management of
Albany Associates International Ltd.
Tintagel House, 92 Albert Embankment
London, England SE1 7TY

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of Albany Associates International Ltd. ("Albany Associates"), and related notes to the Statement, with respect to the Support Strategic Communications in the National Unity Government of Afghanistan program funded by United States Department of State ("State") grant agreement No. SAF20017GR036 for the period October 1, 2017, through December 31, 2020. We have issued our report with an adverse opinion thereon dated May 30, 2022.

Internal Control over Financial Reporting

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

In planning and performing our audit of the Statement, we considered Albany Associates' internal controls 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 Albany Associates' internal control. Accordingly, we do not express an opinion on the effectiveness of Albany Associates' internal control.

(Continued)

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2020-01, 2020-02, 2020-03, and 2020-06 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2020-04, 2020-05, 2020-07, and 2020-8 to be significant deficiencies.

Albany Associates' Response to the Findings

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

Purpose of this Report

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

Restriction on Use

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



Crowe LLP

May 30, 2022
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors and Management of
Albany Associates International Ltd.
Tintagel House, 92 Albert Embankment
London, England SE1 7TY

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of Albany Associates International Ltd. ("Albany Associates"), and related notes to the Statement, with respect to the Support Strategic Communications in the National Unity Government of Afghanistan program funded by United States Department of State ("State") grant agreement No. SAF20017GR036 for the period October 1, 2017, through December 31, 2020. We have issued our report with an adverse opinion thereon dated May 30, 2022.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the grant agreement is the responsibility of the management of Albany Associates.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albany Associates' Financial Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the Statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2020-01, 2020-02, 2020-03, 2020-04, 2020-05, 2020-06, and 2020-07.

Albany Associates' Response to the Findings

Albany Associates' response to the findings identified in our audit are described in Appendix A to our report. Albany Associates' response to the findings was not subject 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 Albany Associates, the United States Department of State, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

May 30, 2022
Washington, D.C.

FINDING 2020-01: Absence of Documented Policies and Procedures

Material Weakness in Internal Control and Noncompliance

Condition: Albany Associates did not have or was unable to provide documented policies or procedures related to the internal controls in place to assist in evaluating and monitoring their compliance with grant terms and conditions, applicable statutes, and other regulations. Specifically, we requested any policies or procedures related to the following subject matters:

- Cash Management of Federal Funds;
- Timekeeping;
- Vendor invoicing and accounts payable;
- Cost allowability;
- Procurement;
- Project Budget-to-Actual Tracking; and
- Programmatic or Financial Reporting.

Criteria: According to 2 CFR § 200.303, *Internal controls*, Albany Associates is required to

- (a) “[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award...”
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework Principle #12, to establish and maintain an effective internal control framework, an entity should “deploy control activities through policies that establish what is expected and procedures that put policies into action.”

Questioned Costs: None. Finding relates to a lack of policies and procedures.

Effect: In the absence of formal policies or procedures pertaining to the applicable requirements included in the grant agreement, the likelihood increases that oversight of the grant requirements from Albany Associates’ personnel is inadequate.

Cause: Albany Associates relied on the requirements included in the grant agreement rather than documented policies and procedures to evaluate and monitor their compliance with grant terms and conditions, applicable statutes, and other regulations.

Recommendation: We recommend that Albany Associates:

1. Develop, document, and implement policies or procedures applicable to Federal-funded awards to demonstrate Albany Associates is in compliance with the Uniform Guidance; and
2. Provide training to staff on the policies or procedures necessary to ensure compliance with requirements applicable to federal-funded awards.

FINDING 2020-02: Lack of Procurement Support

Material Weakness in Internal Control and Noncompliance

Condition: As part of our procurement testing, we sampled 40 of 185 purchase orders for review which represented [REDACTED] of the [REDACTED] value of the total population. Crowe obtained the proposal submitted and approved by State from Albany Associates that identified the individual contractors Albany Associates had selected to assist with accomplishing the grant objectives. As part of our testing, we reviewed the purchase orders to determine if the individuals included on the purchase orders had been included in the proposal submitted to the State Department. As a result of our testing, we noted the following:

- Of the 40 samples selected for testing, 5 contractors were not included in the State proposal. For those 5 contractors, we tested 14 purchases orders totaling [REDACTED] for which Albany was unable to provide documentation related to the procurement or approval of those individuals.

We performed a review of the total population to determine the amount of costs charged for the 5 vendors not included in the proposal to State. From the entire population of purchase orders, the total amount of costs incurred for the five vendors not included within the proposal is [REDACTED]. We asked Albany Associates to provide any supporting documentation or approval from State pertaining to these five contractors, but no documentation was provided.

According to 2 CFR § 200.318(a), *General procurement standards*, "The Non- Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §200.317 through 200.327." As indicated in Finding 2020-01, Albany Associates was unable to provide written procurement policies or procedures.

Absence of Competitive Bidding Support

As indicated in the bullet point above, 14 samples selected for testing were not identified as individuals approved in the original proposal and Albany Associates did not have support for a competitive bidding process or justification for the reasonableness of the costs.

Furthermore, Crowe reviewed Albany Associates' undocumented Procurement Procedures that were provided to us through a questionnaire response and noted Albany Associates uses formal Requests for Proposal (RFPs) or Invitations to Tender (ITT), and invites suppliers to submit technical and financial proposals, which are evaluated against set criteria that are published in the RFP/ITT. Albany Associates' informal Procurement Procedures states the responsible Project Manager or Account Executive will prepare a draft Terms of Reference (ToR) containing scope of work, background details on the project, technical specifications and requirements, level of effort, deliverables, acceptance criteria, payment terms, and reporting details/requirements. Upon our review of the support provided by Albany Associates for each sample selection, we noted that RFPs and ToRs were not provided.

Lack of Justification for Noncompetitive Bidding

Based upon the lack of competitive bidding, we requested documentation to support their noncompetitive bidding justification in accordance with 2 CFR §200.320, *Methods of procurement to be followed*. We determined that for the 14 samples Albany Associates could not provide justification to support the noncompetitive procurement.

Albany Associates International Ltd.
Section I: Schedule of Findings and Questioned Costs
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For the Period October 1, 2017, through December 31, 2020

Criteria: Pursuant to 2 CFR § 200.318, *General procurement standards*, “The Non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §200.317 through 200.327 (i) The Non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.”

2 CFR § 200.320(c), *Methods of procurement to be followed*, states: “Noncompetitive procurement. There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply: (1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold; (2) The item is available only from a single source; (3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation; (4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or (5) After solicitation of a number of sources, competition is determined inadequate.”

2 CFR § 200.320(b), *Methods of procurement to be followed*, states: “Formal procurement methods. When the value of the procurement for property or services under a Federal financial assistance award exceeds the simplified acquisition threshold, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section.”

Questioned Costs: \$219,214 of unsupported costs.

Effect: The U.S. government may not receive the most advantageous price for the services provided.

Cause: Albany Associates did not document policies or procedures for procuring goods and services in accordance with federal regulations regarding general or noncompetitive procurements of goods and services.

Recommendation: We recommend that Albany Associates:

1. Reimburse the government for the \$219,214 in unsupported costs or produce documentation that the five (5) contractors were either procured using competitive or noncompetitive procedures or were approved by State prior to services performed.
2. Develop, document, and implement a policy or procedure regarding the procurement of goods and services in compliance with the Uniform Guidance; and
3. Provide training to staff on the policies or procedures necessary to ensure compliance with requirements applicable to federal-funded awards.

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Albany Associates International Ltd.
Section I: Schedule of Findings and Questioned Costs
Grant Agreement No. SAF20017G036
For the Period October 1, 2017, through December 31, 2020

FINDING 2020-03: Absence of Support for Allowable Costs

Material Weakness in Internal Control and Noncompliance

Condition: Crowe tested 60 samples to determine if the costs were allowable, reasonable, and allocable to the program. We determined that five (5) were either missing supporting documentation entirely or the supporting documentation provided wasn't sufficient to support the incurred costs. . Furthermore, Crowe identified a duplicate transaction included within our sample selections.

Refer to the table below for more information on each sample.

Sample #	Date	Amount	Description	Missing Documentation
1	12/31/2020	██████	████████████████████	• Insufficient support provided
2	01/08/2018	██████	Contractor costs	• No support provided
39	03/31/2020	██████	Personnel costs	• No support provided
52	09/30/2019	██████	Personnel costs	• Insufficient support provided
55	03/31/2019	██████	Personnel costs	• Insufficient support provided
13	07/31/2018	██████	Contractor costs	• No support provided / duplicate transaction

In addition to the amounts that are included in the table, we questioned the 14% of indirect costs (\$14,748) associated with these transactions for a total questioned cost amount of \$120,087.

Criteria: Pursuant to 2 § CFR 200.403, *Factors affecting allowability of costs*, “Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- a) Be adequately documented. See also §§ 200.300 through 200.309 of this part.

Questioned Costs: \$120,087 of unsupported costs.

Effect: Failure to obtain and retain documentation for transactions for the federal award increases the likelihood that the transactions are not allowable, reasonable, and allocable. As a result, the federal government may overpay for award activities.

Cause: Albany Associates experienced personnel turnover throughout the duration of the award, which led to the inability to retain documentation and sufficiently track the transactions within their system. Albany Associates did not have a process in place to retain documentation or provide new personnel with access to that documentation.

Recommendation: We recommend that Albany Associates:

1. Reimburse the government for the \$120,087 or produce documentation that supports the five (5) transactions were appropriately charged to the award;
2. Develop, document, and implement a policy or procedure for retaining support for financial transactions applicable to Federal-funded awards to demonstrate the costs are in compliance with the Uniform Guidance; and
3. Provide training to staff on the policies or procedures necessary to ensure compliance with requirements applicable to federal-funded awards.

(Continued)

FINDING 2020-04: Lack of Support for the Five Highly Compensated Executives and Report of Total Compensation

Significant Deficiency in Internal Control and Noncompliance

Condition: As required by the grant agreement, Albany Associates was unable to provide support that they submitted the total compensation of the five most highly compensated executives for the preceding fiscal year and verification that they reported the total compensation within www.sam.gov. Furthermore, Albany Associates did not verify the reported total compensation at the end of the month following the month in which the award was made, and annually thereafter, as required in the agreement.

Criteria: According to Section XX of the Grant Agreement, *Monitoring and Reporting Requirements, Subsection Reporting Total Compensation of Non-Federal Entity Executives*,

1. “Applicability and what to report. The non-Federal entity must report total compensation for each of the five most highly compensated executives for the preceding completed fiscal year, if –
 - i. the total Federal funding authorized to date under this award is \$25,000 or more;
 - ii. in the preceding fiscal year, the non-Federal entity received—
 - A. 80 percent or more of the annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and sub awards); and
 - B. \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and sub awards); and
 - C. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.
2. Where and when to report. The non-Federal entity must report executive total compensation described in paragraph 1. of this award term:
 - i. As part of your registration profile at <http://www.sam.gov>.
 - ii. By the end of the month following the month in which this award is made, and annually thereafter.”

Questioned Costs: \$0. Finding relates to a lack of reporting for total compensation and the five highly compensated executives and does have a financial impact on the SPFS.

Effect: As a result of the missing personnel information, the U.S. government’s ability to monitor the award and obtain an understanding of the entity was diminished.

Cause: Albany Associates did not have policies or procedures to comply with their agreement requirements.

Recommendation: We recommend that Albany Associates:

1. Develop, document, and implement policies or procedures applicable to the reporting requirements within the Federal-funded agreement to demonstrate Albany Associates is monitoring and in compliance with the agreement throughout the lifetime of the award; and
2. Provide training to staff on the policies or procedures necessary to ensure compliance with requirements applicable to federal-funded awards.
3. .

Albany Associates International Ltd.
Section I: Schedule of Findings and Questioned Costs
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FINDING 2020-05: Absence of Evidence of Payment

Significant Deficiency in Internal Control and Noncompliance

Condition: During the course of our allowable cost testing, we requested evidence of payment by Albany Associates for each of the 60 transactions we sampled. Per review of the supporting documentation provided by Albany Associates, we determined that three (3) of the 60 transaction samples selected for testing did not have evidence of payment. Therefore, Crowe could not determine that the costs had been incurred, were allowable and allocable to the grant award.

Refer to the table below for more information on each sample.

Sample #	Date	Description	Amount
14	07/31/18	[REDACTED] - Monthly fees & 4 days per diems \$17,710.00 exch. rate 1.30	[REDACTED]
42	02/04/19	[REDACTED] Fees January 2019	[REDACTED]
57	03/19/18	[REDACTED] - Flight [REDACTED] Drousseau Dubai-Paris 20.04.18	[REDACTED]

*We have already questioned this cost as part of Finding 2020-02. Therefore, we will not question the cost associated with this finding.

In addition to the amounts that are included in the table, we will be questioning the 14% of indirect costs (\$2,339) associated with these transactions for a total questioned cost amount of \$19,045.

Criteria: Pursuant to 2 § CFR 200.302(b), *Financial Management*, "The financial management system of each non-Federal entity must provide...(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation..."

Questioned Costs: \$19,045 of unsupported costs.

Effect: Failure to obtain and retain documentation of transactions for the Federal award increases the risk that the transactions are not allowable, reasonable, and allocable. As a result, the federal government may overpay for award activities.

Cause: Albany Associates personnel turnover throughout the duration of the award led to the inability to retain documentation. Albany Associates did not have a process in place to retain documentation or provide new personnel with access to that information.

Recommendation: We recommend that Albany Associates:

1. Reimburse the \$19,045 in unsupported costs or produce evidence of payment documentation that supports the three (3) transactions were appropriately charged to the award;
2. Develop, document, and implement a policy or procedure to retain documentation and monitor financial transactions applicable to Federal-funded award and demonstrate the costs are in compliance with the Uniform Guidance; and
3. Provide training to staff regarding the policy or procedure.

(Continued)

Albany Associates International Ltd.
Section I: Schedule of Findings and Questioned Costs
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FINDING 2020-06: Missing Support for Prior Approval from the Grants Officer and Proof of U.S. Flag Carrier Regarding Travel Costs

Material Weakness in Internal Control and Noncompliance

Condition: Per review of the support provided by Albany Associates, Crowe determined that five (5) of the 60 transaction samples for travel costs did not have supporting documentation that showed a U.S. Flag Carrier was used on international flights nor was a justification documented or approval by the grants officer prior to the trip granted; therefore, the costs were not in accordance with the grant agreement.

Refer to the table below for more information on each sample.

Sample #	Date	Description	Amount
48	09/30/20	[REDACTED] - D.5 - TRANSACTION FEES: TICKETING FEE	[REDACTED]
50	09/30/20	[REDACTED] - D.7 - Flight: [REDACTED] MR - Lnd/Dubai/Kabul/Rtn	[REDACTED]
51	01/31/19	[REDACTED] - Flight [REDACTED] London-Kabul-London 01.03-12.04.19	[REDACTED]
54	09/16/19	[REDACTED] - [REDACTED] - Flight Kabul/Dubai/Lnd 19 - 20 Sep 2019 - [REDACTED]	[REDACTED]
57	03/19/18	[REDACTED] - Flight Dubai-Paris 20.04.18	[REDACTED]

*We have already questioned this cost as part of Finding 2020-06. Therefore, we will not question the cost associated with this finding.

In addition to the amounts that are included in the table, we questioned the 14% of indirect costs (\$652) associated to these transactions for a total questioned cost amount of \$5,312.

Criteria: According to Section XVIII of the Grant Agreement, *Travel*, "all Federal Government-financed international air transportation must be accomplished by U.S. Flag air carriers or U.S. code sharing to the extent that service by those carriers is available."

According to Section O, *Government-Financed Air Transportation* of the Department of State Standard Terms and Conditions, "All Federal government financed international air transportation is required by 49 U.S.C. 40118, commonly referred to as the "Fly America Act," to use U.S. air carrier service for all air travel and cargo transportation services. One exception to this requirement is transportation provided under a bilateral or multilateral air transport agreement, to which the U.S. government and the government of a foreign country are parties, and which the Department of Transportation has determined meets the requirements of the Fly America Act.

Current "Open Skies Agreements" that are in effect can be found here:
<https://www.gsa.gov/policyregulations/policy/travel-management-policy/fly-america-act>.

It is the recipient's responsibility for making determinations and documenting the decision as to whether an exemption to this requirement applies."

Questioned Costs: \$5,312 of unsupported costs.

(Continued)

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Effect: Failure to obtain and retain documentation for transactions for the Federal award increases the risk that the transactions are not allowable, reasonable, and allocable. As a result, the federal government may overpay for award activities.

Cause: Albany Associates did not have policies or procedures to require retention of documentation or to provide guidance on allowable costs. Albany Associates stated that no U.S. Flag carrier flights were available at the time to Kabul, Afghanistan. Although there were no U.S. Flag carrier flights at the time, Albany Associates was unable to provide prior approval from State regarding international flights.

Recommendation: We recommend that Albany Associates:

1. Reimburse the \$5,312 in unsupported costs or produce documentation that supports their justification for the use of a non-U.S. carrier or prior approval from State for the five (5) international travel transactions;
2. Develop, document, and implement a policy or procedure to require retention of documentation and to monitor financial transactions applicable to a Federal-funded award to demonstrate the costs are in compliance with the Uniform Guidance; and
3. Provide training to staff on the policies or procedures necessary to ensure compliance with requirements applicable to federal-funded awards.

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FINDING 2020-07: Insufficient Checks for Vendor Suspension and Debarment

Significant Deficiency in Internal Control and Noncompliance

Condition: We tested 40 of 185 purchase orders for review which represented \$607,813 of the [REDACTED] value of the total population. We determined that for 40 of the 40 samples selected for testing, Albany Associates could not provide supporting documentation or evidence to demonstrate that they had reviewed entities to determine if they had previously been suspended or debarred. Crowe reviewed the 40 vendors to determine if they had been previously prohibited from receiving federal payments. Crowe found that none had been suspended, barred or otherwise excluded. Therefore, we did not question the costs associated with noncompliance.

Criteria: According to 2 CFR § 200.213, *Suspension and Debarment*, states, “Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR § 180. The regulations in 2 CFR § 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.”

2 CFR § 601.10, *Non-procurement Debarment and Suspension*, states, “This part adopts the Office of Management and Budget (OMB) guidance in subparts A through I of 2 CFR § 180, as supplemented by this part, as the DOS policies and procedures for non-procurement debarment and suspension. It thereby gives regulatory effect for DOS to the OMB guidance as supplemented by this part...”

2 CFR § 601.220, *What contracts and subcontracts, in addition to those listed in 2 CFR 180.220, are covered transactions?*, states, “In addition to the contracts covered under 2 CFR § 180.220(b) of the OMB guidance, this part applies to any contract, regardless of tier, that is awarded by a contractor, subcontractor, supplier, consultant, or its agent or representative in any transaction, if the contract is to be funded or provided by the DOS under a covered non-procurement transaction and the amount of the contract is expected to equal or exceed \$25,000. This extends the coverage of the DOS non-procurement suspension and debarment requirements to all lower tiers of subcontracts under covered non-procurement transactions, as permitted under the OMB guidance at 2 CFR § 180.220(c)...”

2 CFR § 200.327, *Contract Provisions*, states “the non-federal entity’s contracts must contain the applicable provisions described in appendix II of this part.”

Pursuant to appendix II, “(A) Contracts...must address administrative, contractual or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as appropriate. (B) All contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement...”

U.S. Department of State Standard Terms and Conditions – “Non-Federal Entity Responsibilities and Compliance with Federal Requirements”. Section VI of the U.S. Department of State Standard Terms and Conditions – “Non-Federal Entity Responsibilities and Compliance with Federal Requirements” requires that the terms and conditions of the agreement and the cost principles applicable to 2 CFR § 200 are included in subcontracts. “In accordance with 2 CFR § 330, terms and conditions flow down to all subrecipients and contractors and must be appropriately addressed in the performing entity’s subaward instrument.”

Questioned Costs: None. Crowe reviewed www.sam.gov to verify that the vendors were not suspended and debarred.

(Continued)

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Effect: An increased risk exists that Albany Associates could contract with entities that are suspended or debarred from conducting business with the U.S. government.

Cause: Albany Associates does not have policies or procedures related to procurements. Therefore, they did not conduct suspension and debarment checks for the vendors associated with the grant agreement.

Recommendation: We recommend that Albany Associates:

1. Develop, document, and implement a policy or procedure regarding the suspension and debarment check of vendors associated to Federal-funded award to demonstrate the vendors are in compliance with the Uniform Guidance; and
2. Provide training to staff on the policies or procedures necessary to ensure compliance with requirements applicable to federal-funded awards.

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(Continued)

Albany Associates International Ltd.
 Section I: Schedule of Findings and Questioned Costs
 Grant Agreement No. SAF20017G036
 For the Period October 1, 2017, through December 31, 2020

FINDING 2020-08: Lack of Support for Review and Approval of Employee Time Records, Invoices, and Expense Reimbursement Reports

Significant Deficiency in Internal Control

Condition: Per review of the supporting documentation provided by Albany Associates, Crowe determined that five (5) of the 60 samples selected for testing did not have support for review and approval of employee time records by supervisors, invoices provided by vendors/contractors, and/or employee expenses through expense reimbursement reports and supporting receipts.

Refer to the table below for more information on each sample.

Sample #	Date	Amount	Missing Documentation
1	12/31/2020	██████	Approval of invoice
2	01/08/2018	██████	Approval of employee time records and/or expense reimbursement reports
39	03/31/2020	██████	Approval of employee time records and/or expense reimbursement reports
52	09/30/2019	██████	Approval of employee time records and/or expense reimbursement reports
55	03/31/2019	██████	Approval of employee time records and/or expense reimbursement reports

Criteria: Pursuant to 2 CFR § 200.303, *Internal controls*, “The non-Federal entity must... (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)...”

Pursuant to 2 CFR § 200.403 (i)(1), Compensation – personal services, “(i) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity.”

Questioned Costs: None. This finding is related to lack of controls for review and approval of documentation.

Effect: There is an increased risk that the costs charged to the grant were not allowable, reasonable, and allocable without management review and approval.

Cause: Albany Associates does not maintain policies and procedures to ensure that costs are reviewed and approved in accordance with federal grant requirements.

(Continued)

Recommendation: We recommend that Albany Associates:

1. Develop, document, and implement a policy or procedure to ensure that transactions applicable to the Federal-funded award are appropriately reviewed and approved in accordance with the Uniform Guidance; and
2. Provide training to staff on the policies or procedures necessary to ensure compliance with requirements applicable to federal-funded awards.

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(Continued)

Albany Associates International Ltd.
Section II: Schedule of Prior Audit, Review, and Assessment Findings
Grant Agreement No. SAF20017GR036
For the Period October 1, 2017, through December 31, 2020

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to Albany Associates International Ltd. ("Albany Associates") activities under the grant agreement. Based on Crowe's communications with Albany Associates, State, and SIGAR no prior reports exist that may have a direct and material effect on the Special Purpose Financial Statement or other financial data significant to the audit objectives.

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Appendix A: Views of Responsible Officials

Albany Associates International Ltd. provided the following response to Crowe via email on May 20, 2022, regarding the findings contained in Crowe's draft report. The response has been included herein verbatim and source formatting retained.

FINDING 2020-01: Absence of Documented Policies and Procedures

Albany Associates did not have or was unable to provide documented policies or procedures related to the internal controls in place to assist in evaluating and monitoring their compliance with grant terms and conditions, applicable statutes, and other regulations.

Management Response:

Albany has taken note of the recommendations and will commence developing policies and procedures that evaluate and monitor our compliance with the terms of a grant, but also with other applicable regulations for a Federal-funded awards. We will also establish an internal process under which we can monitor and evaluate our compliance.

FINDING 2020-02: Lack of Procurement Support

Albany Associates did not provide procurement support for 14 purchase orders. The total unsupported questioned cost amount of \$192,293 impacted the personnel line item within the SPFS.

Management Response:

Below is the table that was submitted to Crowe for the lack of procurement evidence.

Selection #	PO Number	Date	Description	Amount
1	5085	11/09/17	Invoice and others	\$
4	5202	12/20/17	Invoice and Visa	\$
8	6315	08/14/18	Time Per Diem	\$
11	6317	08/14/18	Time and per diem	\$
15	6518	10/11/18	Time and per diem	\$
24	6944	02/04/19	Time	\$
27	7356	05/28/19	Project fee	\$
29	7477	07/08/19		\$
30	7511	08/01/19	Flights	\$
32	7762	10/01/19	Time and others	\$
33	PO-0061	10/31/19	Senior Communications Travel	\$
36	PO-0354	01/30/20	Time and Per Diem	\$
38	PO-0353	01/31/20	Time Travel office supplies and visa	\$
40	PO-0632	03/31/20	Team lead Consultancy, airport and Expenses	\$

See 'Finding 2020-03 Selection' folder attached.

Note: Some of these staff members were included in the different budgets for each financial year. See below.

The table below shows the PO Proof of payment and invoices (also attached) for review on this matter.

Selection	PO	Date (UK)	Description	Value	Proof of Payment	PO	Inv
1	5085	09/11/2017	Invoice and others		Yes	Yes	Yes
4	5202	20/12/2017	Invoice and Visa		Yes	Yes	Yes
8	6315	14/08/2018	Time Per Diem		Yes	Yes	Yes
11	6317	14/08/2018	Time and per diem		Yes	Yes	Yes
15	6518	11/10/2018	Time and per diem		Yes	Yes	Yes
24	6944	04/02/2019	Time		Yes	Yes	Yes
27	7356	28/05/2019	Project fee		No	No	No
29	7477	08/07/2019			Yes	Yes	Yes
30	7511	01/08/2019	Flights		Yes	Yes	Yes
32	7762	01/10/2019	Time and others		Yes	Yes	Yes
33	PO-0061	31/10/2019	Senior Communications Travel		Yes	Yes	Yes
36	PO-0354	30/01/2020	Time and Per Diem		Yes	Yes	Yes
38	PO-0353	31/01/2020	Time Travel office supplies and visa		Yes	Yes	Yes
40	PO-0632	31/03/2020	Team lead Consultancy, airport and Expenses		Yes	Yes	Yes

Albany is aware that we didn't receive written confirmation from USEK/Grants officer approving our team members in advance, but all our team members were clearly named in every budget and reports sent to USEK. Moreover, Albany has been operating in Afghanistan since 2004 and we had numerous excellent working relationships with recommended, tried, tested and trusted communications contractors that we knew would be able to operate in the very difficult, often dangerous environment. Indeed, our experience of operating in Afghanistan was one of the deciding factors in USEK's decision to contract us to manage the project. There is simply no guarantee that running a competitive process to find consultants, especially those unknown to us, would have resulted in a better team and better results. You'll also note from the texts above, and the organogram, taken from one of our reports, that we proposed the team members well in advance and we received no response challenging our nominations. Therefore, we believe it unfair to be financially penalized. Albany partially agrees that we have no proof for [REDACTED] for [REDACTED] with indirect costs at 14%, totaling [REDACTED].

That said, we agree with the recommendation to develop clearer written policies and training on procurement of contractors, and will do so for our other US State contracts.

FINDING 2020-03: Absence of Support for Allowable Costs

Albany Associates did not provide support for 5 samples selected for Allowable Cost testing. Of the \$105,339 unsupported questioned costs, \$31,879 impacted the other direct cost line item within the SPFS and \$73,460 impacted the personnel line item of costs incurred.

Management Response:

Two amounts now accounted for - Samples 39 and 52.

Sample #	Date	Amount	Description	Evidence
1	12/31/2020	[REDACTED]	[REDACTED]	Not Found
2	01/08/2018	[REDACTED]	Contractor costs	Not Found
39	03/31/2020	[REDACTED]	Personnel costs	[REDACTED] timesheet supplied (Under [REDACTED])
52	09/30/2019	[REDACTED]	Personnel costs	[REDACTED] timesheet supplied
55	03/31/2019	[REDACTED]	Personnel costs	Not Found
13	07/31/2018	[REDACTED]	Contractor costs	Dupe

Apart from disagreeing with recommendation to reimburse all 5 transactions, Albany has taken note of the additional recommendations and will develop documentation and procedures for all our US State contracts to comply with the Uniform Guidance.

See '2020-04 Timesheet's folder attached.

FINDING 2020-04: Lack of Support for the Five Highly Compensated Executives and Report of Total Compensation

Albany Associates was unable to provide support that they submitted the total compensation of the five most highly compensated executives for the preceding fiscal year and verification that they reported the total compensation within www.sam.gov. Furthermore, Albany Associates did not verify the reported total compensation at the end of the month following the month in which the award was made, and annually thereafter, as required in the agreement.

Management Response:

Albany will comply with the recommendations.

FINDING 2020-05: Absence of Evidence of Payment

Albany Associates did not provide support for evidence of payment for 3 samples selected for Allowable Cost testing. Of the \$16,706 unsupported questioned costs, [REDACTED] impacted the personnel line item within the SPFS and [REDACTED] impacted the travel line item of costs incurred.

Management Response:

Please see attached proof of payment for Ikram Saraway in Folder 'Finding 2020-06 Ref 42.' Albany was not able to prove individual payment to [REDACTED] for invoice reference 57, therefore the total is [REDACTED] plus indirect cost of 14% - totaling [REDACTED]. Proof of bulk payment to [REDACTED] was previously provided.

FINDING 2020-06: Missing Support for Prior Approval from the Grants Officer and Proof of U.S. Flag Carrier Regarding Travel Costs

Albany Associates did not provide support that showed a U.S. Flag Carrier was used on international flights nor was it approved by the grants officer prior to the trip. The total unsupported questioned cost amount of \$4,660 impacted the travel line item within the SPFS.

Management Response:

We were operating under the erroneous assumption that we weren't required to seek approval for every flight into and from Kabul, using a non-US flag carrier. We are also now aware, having discussed the matter with our GOR on another US Grant, that we are required to complete a Fly America Justification Statement for each flight. Henceforth, this policy will be implemented.

FINDING 2020-07: Insufficient Checks for Vendor Suspension and Debarment

We determined that for 40 of the 40 samples selected for testing, Albany Associates could not provide supporting documentation or evidence to demonstrate that they had reviewed entities to determine if they had previously been suspended or debarred. Crowe reviewed the 40 vendors to determine if they had been previously prohibited from receiving federal payments. Crowe found that none had been suspended, barred or otherwise excluded.

Management Response:

Albany agrees with the recommendations and will implement as required.

FINDING 2020-8: Lack of Support for Review and Approval of Employee Time Records, Invoices, and Expense Reimbursement Reports

Crowe determined that five (5) of the 60 samples selected for testing did not have support for review and approval of employee time records by supervisors, invoices provided by vendors/contractors, and/or employee expenses through expense reimbursement reports and supporting receipts.

Management Response:

Albany agrees with the recommendations and will implement as required.

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Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management responses of Albany Associates International Ltd. ("Albany" or "the auditee") responses to the draft report audit findings provided to Crowe on May 20, 2022. In consideration of those views, Crowe has included the following rebuttal to certain matters presented by the auditee. Crowe incorporates a rebuttal in those instances where management disagrees with the facts presented within the condition, does not concur with Crowe's recommendation, or provides additional documentation for review. In those instances where management either agrees with the finding or does not disagree with the facts in the finding, as presented, no rebuttal is provided. Using this framework, Crowe has incorporated three rebuttals to management's comments, below.

FINDING 2020-02: Lack of Procurement Support

Albany partially agreed with the finding but requested that the ineligible costs be amended to remove the costs associated to individuals that had been included in either in proposal documents or budget documents. Albany stated in their response that they are "aware that we didn't receive written confirmation from USEK/Grants officer approving our team members in advance, but all our team members were clearly named in every budget and reports sent to USEK" and that "Some of these staff members were included in the different budgets for each financial year." They also provided screenshots of proposal and budget documents. However, Crowe was not provided the approved proposals or executed award documents that included the personnel procured that are in question.

We have reviewed management's response and noted that the response did not alter the facts underlying each finding. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate audit evidence to clear the reported matters, the finding and its classification have not been changed.

FINDING 2020-03: Absence of Support for Allowable Costs

Albany partially agreed with the findings and provided additional documentation for review. For two of the transactions in question, they provided time sheets related to the personnel costs. However, the timesheets did not indicate the labor rates or total costs incurred. Additionally, we were not provided the corresponding payroll record or evidence of payment that had been requested.

We have reviewed management's response and noted that the response did not alter the facts underlying each finding. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate audit evidence to clear the reported matters, the finding and its classification have not been changed.

FINDING 2020-05: Absence of Evidence of Payment

Albany partially agreed with the finding and provided additional documentation for review. For one of the transactions in question, they provided a bank statement showing a payment made to the named individual of the transaction in question. Upon review, we noted that the payment amount did not agree to the sampled amount. We also reviewed the expenditure listing and noted that the amount paid did not appear in the population of transactions. We have reviewed management's response and noted that the response did not alter the facts underlying each finding. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate audit evidence to clear the reported matters, the finding and its classification have not been changed.

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