

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 23-23 Financial Audit

USAID's Afghanistan Peace Support Initiative: 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.



MAY
2023

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On February 15, 2019, the U.S. Agency for International Development (USAID) awarded a 2-year, \$27,358,173 cost-plus-fixed-fee task order to DAI Global LLC (DAI Global) to strengthen democracy and national stability in Malaysia and the surrounding regions, including Afghanistan. The task order consisted of five phases; on July 23, 2020, USAID activated phase 4, a 7-month Regional Programming Option (RPO) in support of Afghan peace talks. The RPO's objectives were to, among other things, support the Afghan peace process through analytical work and technical assistance to government institutions tasked with negotiating and implementing peace. USAID modified the contract 14 times; the modifications did not affect the total award amount, but the period of performance was extended to August 23, 2021. USAID then issued an administrative no-cost extension changing the period of performance to September 23, 2021.

SIGAR's financial audit, performed by Davis Farr LLP (Davis Farr), reviewed \$4,157,345 in costs charged to the contract from July 23, 2020, through September 23, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in DAI Global's internal controls related to the contract; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether DAI Global has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of DAI Global's Special Purpose Financial Statement (SPFS). See Davis Farr'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 Davis Farr did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

May 2023

USAID's Afghanistan Peace Support Initiative: Audit of Costs
Incurred by DAI Global LLC

SIGAR 23-23-FA

WHAT SIGAR FOUND

Davis Farr did not find any material weaknesses or significant deficiencies in DAI Global's internal controls or any instances of noncompliance with the terms and conditions of the contract. Accordingly, the auditors did not identify any questioned costs.

Davis Farr identified two prior audit reports that were relevant to DAI Global's contract. The reports had three findings that could have a material effect on the SPFS. Davis Farr conducted follow-up procedures and concluded that DAI Global took adequate corrective action on all three findings.

Davis Farr issued an unmodified opinion on DAI Global's SPFS, noting it presents fairly, in all material respects, revenues earned, and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, Davis Farr did not report any findings. Therefore, SIGAR is not making any recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

May 15, 2023

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

Mr. Robert Jenkins
Assistant to the Administrator, USAID Bureau for Conflict
Prevention and Stabilization

We contracted with Davis Farr LLP (Davis Farr) to audit the costs incurred by DAI Global LLC (DAI Global) under a U.S. Agency for International Development (USAID) 2-year, cost-plus-fixed-fee task order to strengthen democracy and national stability in Malaysia and the surrounding regions, including Afghanistan.¹ The program's objectives were to, among other things, support the Afghan peace process through analytical work and technical assistance to government institutions tasked with negotiating and implementing peace. Davis Farr reviewed \$4,157,345 in costs charged to the contract from July 23, 2020, through September 23, 2021. Our contract with Davis Farr 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, Davis Farr did not report any findings. Therefore, SIGAR is not making any recommendations.

Davis Farr discusses the results of the audit in detail in the attached report. We reviewed Davis Farr's report and related documentation. We also inquired about Davis Farr's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements 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 Global's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Davis Farr is responsible for the attached auditor's report, dated March 9, 2023, and the conclusions expressed therein. However, our review disclosed no instances in which Davis Farr did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-248)

¹ The contract number is AID-OAA-I-14-00010.

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

For the Period July 23, 2020 through September 23, 2021

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

For the Period July 23, 2020 through September 23, 2021

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March 28, 2023

DAI Global LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland 20814

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

Enclosed is the final report on the audit of the Special Purpose Financial Statement by DAI Global LLC (DAI) under United States Agency for International Development (USAID) Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003 to support the Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option. The audit covers the period July 23, 2020 through September 23, 2021.

Included within the final report is a summary of the work performed, our report on the Special Purpose Financial Statement, report on internal control and 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 from DAI, the Special Inspector General for Afghanistan Reconstruction and USAID. There were no findings or questioned costs identified as a result of our audit.

Sincerely,

DAVIS FARR LLP



Marcus D. Davis, CPA
Partner

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

For the Period July 23, 2020 through September 23, 2021

Background

On February 15, 2019, the United States Agency for International Development (USAID), **Management Bureau's Office of Acquisition and Assistance (M/OAA)**, on behalf of the Bureau for Conflict Prevention and Stabilization (CPS), Office of Transition Initiatives (OTI), awarded Task Order No. 7200AA19F00003 (Task Order) under Contract No. AID-OAA-I-14-00010 (Contract) to DAI Global LLC (DAI) to support activities that strengthen democracy and national stability in Malaysia and the surrounding region, including Afghanistan. CPS was previously known as the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA). The Task Order as a whole consists of 5 separate phases. On July 23, 2020, USAID/OTI activated Phase 4 of the Task Order, a 7-month Regional Programming Option (RPO) in support of the Afghan peace talks. The purpose of the RPO was to support the peace process through analytical work and technical assistance to government institutions tasked with negotiating and implementing peace, and to create small scale trust and community-building activities. **DAI's objective under the RPO was to contribute to a sustainable resolution to the conflict by strengthening support for the peace talks among Afghans.**

The Task Order is a 2-year cost plus fixed fee (CPFF) completion type task order. The Task Order was awarded in the amount of \$27,358,173, consisting of \$ [REDACTED] in cost reimbursement and \$ [REDACTED] in fixed fee. Within the total Task Order, the RPO portion is \$2,500,000, consisting of \$ [REDACTED] in cost reimbursement and \$ [REDACTED] in fixed fee. The Task Order was modified 14 times to extend the period of performance through August 23, 2021 and to realign the budget. The total award amount remained unchanged. The period of performance was administratively extended to September 23, 2021 by USAID.

DAI was incorporated in 1970 as an international development company. Today, DAI is an employee owned, for-profit company based in Bethesda, Maryland, with offices in Europe and Nigeria employing 5,400 people worldwide. Following the attacks of September 11, 2001 and subsequent U.S. military actions, DAI was called on to lead a variety of development projects in Afghanistan, a country where it began working as early as 1977.

Work Performed

Davis Farr LLP (Davis Farr) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct an audit of **DAI's** Special Purpose Financial Statement (SPFS) for the period July 23, 2020 through September 23, 2021. The total costs plus fixed fee reported by DAI were \$4,157,345, consisting of \$ [REDACTED] of costs incurred plus \$ [REDACTED] in fixed fee.

Objectives, Scope, and Methodology

Objectives Defined by SIGAR

The objectives of the audit include the following:

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

For the Period July 23, 2020 through September 23, 2021

- *Special Purpose Financial Statement (SPFS)* – Express an opinion as to whether **DAI's** SPFS for the Task Order 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 Task Order and generally accepted accounting principles or other comprehensive basis of accounting.
- *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.
- *Compliance* – Perform tests to determine whether DAI complied, in all material respects, with the Task Order 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.
- *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.

Scope

Total costs plus fixed fee incurred for the period July 23, 2020 through September 23, 2021 were \$4,157,345, consisting of \$ [REDACTED] in cost reimbursement and \$ [REDACTED] in fixed fee. The scope of this audit included the total costs plus fixed fee of \$4,157,345. The period of performance of the Task Order is complete. Our testing of the indirect cost rates was limited to verifying that the rates were calculated using the rates identified in the Negotiated Indirect Cost Rate Agreement (NICRA) approved by USAID.

Methodology

To accomplish the objectives of this audit, we designed our audit procedures to include the following:

Entrance Conference

An entrance conference was held via Zoom on September 12, 2022 with representatives of Davis Farr, DAI, SIGAR and USAID in attendance.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of DAI;
- Reviewed the Task Order and all modifications to date;

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

For the Period July 23, 2020 through September 23, 2021

- Reviewed sections of the Federal Acquisition Regulation (FAR) and the USAID Acquisition Regulation (AIDAR), as applicable to the Task Order;
- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques. According to the approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high, moderate or low risk for inclusion in our test of transactions. All samples were selected on a judgmental basis. Our sampling methodology was as follows:
 - For accounts that appear to contain unallowable and restricted items according to the terms of the Task Order, FAR Part 31, AIDAR and any other applicable regulations, we sampled 100% of the transactions.
 - For high risk cost categories, we sampled transactions greater than \$20,800, and additional transactions below \$20,800 to ensure that at least 50% of the total amount expended for each cost category was sampled.
 - For moderate risk categories, we sampled transactions that are greater than \$41,600, and additional transactions below \$41,600 to ensure at least 20% of the total amount expended for each cost category was sampled.
 - For low risk categories, we sampled transactions to ensure at least 10% of the costs for each low risk cost category was sampled. No sample was selected for indirect costs as we tested the proper application of indirect cost rates. This included reviewing the NICRA to ensure that DAI's indirect costs did not exceed the approved rates. Additionally, no sample was selected for the fixed fee as we tested the proper application of the fixed fee.

Internal Control Related to the SPFS

We reviewed DAI's internal control related to the SPFS. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. We corroborated internal control identified by DAI and conducted testing of select key controls to understand if they were implemented as designed and operating effectively.

Compliance with Task Order Requirements and Applicable Laws and Regulations

We reviewed the Task Order and modifications and documented all compliance requirements that could have a direct and material effect on the SPFS. We assessed inherent and control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance with the Task Order requirements and laws and regulations.

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
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Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

For the Period July 23, 2020 through September 23, 2021

Corrective Action on Prior Findings and Recommendations

We reached out to DAI, SIGAR and USAID and requested all reports from previous engagements, as well as searched publicly available information for other reports, in order to evaluate the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Task Order, modifications, and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Task Order, and reasonable. If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Partner as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

Exit Conference

An exit conference was held on January 20, 2023 via Zoom. Participants included representatives from Davis Farr, DAI, SIGAR and USAID. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

Summary of Results

Our audit of the costs incurred by DAI under the Task Order with USAID identified the following results.

Auditor's Opinion on SPFS

We issued an unmodified opinion on the fairness of the presentation of the SPFS. There were no findings or questioned costs identified as a result of the audit.

Summary of Findings and Questioned Costs

There were no findings or questioned costs identified as a result of the audit.

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

For the Period July 23, 2020 through September 23, 2021

Internal Control Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered DAI's **internal control over financial reporting and performed tests of** those controls. The results of our tests disclosed no internal control weaknesses required to be reported under *Government Auditing Standards*. **See Independent Auditor's Report on Internal Control** on page 12.

Compliance Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of its compliance with certain provisions of the Task Order and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed no instances of noncompliance related to the Task Order and other laws and regulations. **See Independent Auditor's Report on Compliance** on page 14.

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.

Review of Prior Findings and Recommendations

We requested from DAI, SIGAR and USAID copies of any prior engagements including audits, **reviews, attestation engagements and other studies that relate to DAI's activities under the** Task Order. We identified two prior audit reports that contained three findings that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We performed follow-up procedures, tested transactions, and reviewed documentation to determine if these issues occurred under our audit. Accordingly, we have concluded that DAI has taken adequate corrective actions on all three prior findings. See the Status of Prior Findings on page 16 for a detailed description of the prior findings and recommendations.

**INDEPENDENT AUDITOR'S REPORT
ON SPECIAL PURPOSE FINANCIAL STATEMENT**

DAI Global LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland 20814

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 accompanying Special Purpose Financial Statement of DAI Global LLC (DAI) under Contract No. AID-OAA-I-14-00010 (Contract), Task Order No. 7200AA19F00003 (Task Order) with the United States Agency for International Development (USAID) to support the Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option for the period July 23, 2020 through September 23, 2021, and the related notes to the Special Purpose Financial Statement.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the methods of preparation described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements (including the Special Purpose Financial Statement) that are 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 our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Special Purpose Financial 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 Special Purpose Financial 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

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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 Special Purpose Financial Statement.

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

Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by DAI under the Task Order for the period July 23, 2020 through September 23, 2021 in accordance with the basis of accounting described in Note 2.

Restriction on Use

This report is intended for the information of DAI, USAID, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 9, 2023 on our consideration of **DAI's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **DAI's** internal control over financial reporting and compliance.

David Fann LLP

Irvine, California
March 9, 2023

DAI GLOBAL LLC

Special Purpose Financial Statement
 Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003

For the Period July 23, 2020 through September 23, 2021

	Budget	Expenditures	Questioned Costs		Total	Notes
			Ineligible	Unsupported		
Revenues:						
Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003	\$ [REDACTED]	\$ [REDACTED]	\$ -	\$ -	\$ -	(3)
Total revenues	[REDACTED]	[REDACTED]	-	-	-	
Costs incurred:						
Program costs	[REDACTED]	[REDACTED]	-	-	-	
Operation costs	[REDACTED]	[REDACTED]	-	-	-	
Grants under contract (GUC)				-	-	
Transition activities pool (TAP)	[REDACTED]	[REDACTED]	-	-	-	
Non-GUC TAP	[REDACTED]	[REDACTED]	-	-	-	
Total costs incurred	[REDACTED]	[REDACTED]	-	-	-	(4)
Fixed Fee	[REDACTED]	[REDACTED]	-	-	-	(6)
Total costs plus fixed fee	4,500,000	4,157,345	-	-	-	
Outstanding fund balance	\$ -	\$ -	\$ -	\$ -	\$ -	(7)

See Notes to Special Purpose Financial Statement

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

Notes to Special Purpose Financial Statement¹

For the Period July 23, 2020 through September 23, 2021

(1) Background

On February 15, 2019, the United States Agency for International Development (USAID), **Management Bureau's Office of Acquisition and Assistance (M/OAA)**, on behalf of the Bureau for Conflict Prevention and Stabilization (CPS), Office of Transition Initiatives (OTI), awarded Task Order No. 7200AA19F00003 (Task Order) under Contract No. AID-OAA-I-14-00010 (Contract) to DAI Global LLC (DAI) to support activities that strengthen democracy and national stability in Malaysia and the surrounding region, including Afghanistan. CPS was previously known as the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA). The Task Order as a whole consists of 5 separate phases. On July 23, 2020, USAID/OTI activated Phase 4 of the Task Order, a 7-month Regional Programming Option (RPO) in support of the Afghan peace talks. The purpose of the RPO was to support the peace process through analytical work and technical assistance to government institutions tasked with negotiating and implementing peace, and to create small scale trust and community-building activities. **DAI's objective under the RPO was to contribute to a sustainable resolution to the conflict by strengthening support for the peace talks among Afghans.**

The Task Order is a 2-year cost plus fixed fee (CPFF) completion type task order. The Task Order was awarded in the amount of \$27,358,173, consisting of \$ [REDACTED] in cost reimbursement and \$ [REDACTED] in fixed fee. Within the total Task Order, the RPO portion is \$2,500,000, consisting of \$ [REDACTED] in cost reimbursement and \$ [REDACTED] in fixed fee. The Task Order was modified 14 times to extend the period of performance through August 23, 2021 and to realign the budget. The total award amount remained unchanged. The period of performance was administratively extended to September 23, 2021 by USAID.

DAI was incorporated in 1970 as an international development company. Today, DAI is an employee owned, for-profit company based in Bethesda, Maryland, with offices in Europe and Nigeria employing 5,400 people worldwide. Following the attacks of September 11, 2001 and subsequent U.S. military actions, DAI was called on to lead a variety of development projects in Afghanistan, a country where it began working as early as 1977.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes revenue received and costs incurred under the Task Order for the period July 23, 2020 through September 23, 2021. Because the SPFS presents only a selected portion of the operations of DAI, it is not intended to and does not present the financial position, changes in financial position, or cash flows of DAI. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), accounting principles generally accepted in the United States of America, and is specific to the aforementioned Task Order.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of DAI.

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

Notes to Special Purpose Financial Statement

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Revenues and expenses on the SPFS are reported on the cash basis of accounting. Revenues are recognized when received. Expenses are recognized when paid and follow the cost principles contained in 48 CFR Part 31, wherein certain types of expenses are not allowable or are limited as to reimbursement.

Currency

All amounts presented are shown in U.S. dollars, the reporting currency of DAI. DAI uses the exchange rate of the authorized bank or financial institution effecting the conversion of U.S. dollars to local currency for in-country purchases. This foreign currency exchange rate remains in effect until another currency conversion is required.

(3) Revenue

DAI reported revenue of \$4,157,345 for the period July 23, 2020 through September 23, 2021.

(4) Cost Categories

The cost categories included in the SPFS are those as identified in the Task Order and modifications. DAI further details its costs incurred into other cost categories to more align with its accounting records. Below are the actual costs incurred by DAI, excluding the fixed fee, using its internal cost categories, excluding the fixed fee:

<u>Cost Category</u>	<u>Amount</u>
Labor	\$ [REDACTED]
Grant	[REDACTED]
Other direct cost	[REDACTED]
Procurement	[REDACTED]
Consultant	[REDACTED]
Travel, transportation and per diem	[REDACTED]
Total costs incurred	\$ [REDACTED]

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

DAI Global LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland 20814

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

We have audited, in accordance with 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 of DAI Global LLC (DAI) under Contract No. AID-OAA-I-14-00010 (Contract), Task Order No. 7200AA19F00003 (Task Order) with the United States Agency for International Development (USAID) to support the Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option for the period July 23, 2020 through September 23, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 9, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement, 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 Special Purpose Financial 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

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that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result 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.**

This report is intended for the information of DAI, USAID, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

David Furr LLP

Irvine, California
March 9, 2023

**REPORT ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

DAI Global LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland 20814

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

We have audited, in accordance with 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 of DAI Global LLC (DAI) under Contract No. AID-OAA-I-14-00010 (Contract), Task Order No. 7200AA19F00003 (Task Order) with the United States Agency for International Development (USAID) to support the Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option for the period July 23, 2020 through September 23, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 9, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DAI's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and the aforementioned Task Order, noncompliance with which could have a direct and material effect on the Special Purpose Financial 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 internal control. Accordingly, this communication is not suitable for any other purpose.

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This report is intended for the information of DAI, USAID, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. 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. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

David Funnell

Irvine, California
March 9, 2023

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

Status of Prior Audit Findings

For the Period July 23, 2020 through September 23, 2021

We requested from DAI, SIGAR and the USAID copies of any prior engagements including audits, **reviews, attestation engagements and other studies that relate to DAI's activities under the Task Order.** We obtained and reviewed fifteen prior reports, which consisted of four annual financial audits and eleven prior SIGAR financial audits. Our review of these reports noted the following:

Reports with no findings	6
Reports with findings that were reviewed by other auditors and corrective actions were deemed adequate	7
Reports with findings requiring our evaluation of corrective actions	<u>2</u>
Total number of reports reviewed	<u>15</u>

Two reports contained three findings that that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We performed follow up procedures including discussion with management, reviewed the revised policies and procedures, and conducted testing of similar areas surrounding these issues. Accordingly, we have concluded that DAI has taken adequate corrective actions on the prior findings and these findings were not repeated under this audit. The prior audit findings we reviewed and their current status is as follows:

Audit Report: SIGAR 22-31 Financial Audit, "USAID's Afghanistan Value Chains – High Value Crops Activity: Audit of Costs Incurred by DAI Global LLC" for the period December 1, 2019 through July 31, 2021, which was conducted by Castro & Company on behalf of SIGAR, and issued by SIGAR on June 29, 2022

This audit report contained one finding which could have a potential material effect on the SPFS or other financial data significant to the audit objectives. The results of our review are as follows:

- *Finding 2022-01: Quarterly Financial Reports Submitted Late* – The audit firm noted that quarterly financial reports were submitted late.

Status: We tested the submission of three required semi-annual reports and noted that all reports were submitted within required timeframes. As such, the corrective action has been adequately implemented.

Audit Report: SIGAR 22-32 Financial Audit, "USAID's Afghanistan Value Chains – Livestock Activity: Audit of Costs Incurred by DAI Global LLC" for the period December 1, 2019 through July 31, 2021, which was conducted by Castro & Company on behalf of SIGAR, and issued by SIGAR on July 6, 2022

- *Finding 2022-01: Inaccurate Property Records* – The audit firm noted that property records were not in accordance with the FAR and **DAI's inventory management procedures.** Specifically, the unit cost was recorded in Afghanistan as opposed to U.S. dollars.

DAI GLOBAL LLC

Audit of the Special Purpose Financial Statement
For Contract No. AID-OAA-I-14-00010, Task Order No. 7200AA19F00003
Afghanistan Peace Support Initiative – Phase 4 – Regional Programming Option

Status of Prior Audit Findings

(Continued)

Status: We obtained detailed inventory records and noted that they were maintained as required and all inventory dispositions were approved by USAID. As such, the corrective action has been adequately implemented.

- *Finding 2022-02: Quarterly Financial Reports Submitted Late* – The audit firm noted that quarterly financial reports were submitted late.

Status: We tested the submission of three required semi-annual reports and noted that all reports were submitted within required timeframes. As such, the corrective action has been adequately implemented.

SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publicly released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

SIGAR's Mission

Public Affairs Officer

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