SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR Financial Audit 13-10

USAID's Alternative Livelihoods Program–Eastern Region: Audit of Costs Incurred by Development Alternatives, Inc.

JULY

2013

SIGAR | Office of the Special Inspector General for Afghanistan Reconstruction

July 18, 2013

Dr. Rajiv Shah
Administrator
U.S. Agency for International Development

Ms. Sarah W. Wines
Acting Mission Director for Afghanistan
U.S. Agency for International Development

This letter transmits the results of our audit of costs incurred by Development Alternatives, Inc. (DAI) under USAID contract, Alternative Livelihoods Program–Eastern Region.[1] The audit covered the period February 15, 2005, through June 30, 2009,[2] and was performed by Mayer Hoffman McCann P.C. It covered $115,521,246 in expenditures.

The objectives of the Alternative Livelihoods Program were to (1) help accelerate licit economic growth and business activity, and (2) help provide an immediate alternative source of income to poor households whose livelihoods depend, directly or indirectly, on the opium economy.

The specific objectives of the financial audit were to

- render an opinion on the fair presentation of DAI's Fund Accountability Statement;[3]
- determine and report on whether DAI has taken corrective action on recommendations from prior audits or assessments;
- identify and report on significant deficiencies, including any material weaknesses, in DAI's internal financial controls; and
- identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.

In contracting with an independent audit firm, SIGAR is required by auditing standards to provide oversight of the audit work performed. Accordingly, SIGAR reviewed Mayer Hoffman McCann's audit results and supporting audit documentation and found them to be in accordance with generally accepted government auditing standards.

Mayer Hoffman McCann issued a qualified opinion on the Fund Accountability Statement based upon the identification of questioned costs totaling $25,149,243. These costs were questioned because (1) Mayer Hoffman McCann found transactions totaling $23,701,824 questionable after a review of the underlying support, and (2) the audit's scope was limited because DAI did not maintain records supporting the $1,447,419 in costs incurred by its primary subcontractor, which filed for bankruptcy in February 2009. Mayer Hoffman McCann identified eight recommendations from prior audits that could have a material effect on the

[1] The program was later renamed the Alternative Development Program – Eastern Region, and references to both occur throughout the contract period and are used interchangeably in the financial audit report.
[2] USAID contract no. 306-M-00-05-00515-00 to promote licit economic opportunities and regional economic growth in eastern Afghanistan.
[3] The Fund Accountability Statement is a special purpose financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

Fund Accountability Statement and found that adequate corrective action had been taken on all eight recommendations. Mayer Hoffman McCann reported four internal control findings and one instance of noncompliance. These findings prompted the auditors to question a total of $25,149,243 in unsupported costs.[4] The audit did not find any ineligible costs.[5] See table 1 below.

Table 1 - Summary of Questioned Costs

Category	Questioned Costs Total	Ineligible	Unsupported
DAI expatriate labor	[redacted]		[redacted]
DAI cooperating country national labor			
Transportation and allowances			
BearingPoint labor			
BearingPoint other direct costs			
Other direct costs / general and administrative			
Subcontracts			
Implementation funds			
Totals	**$25,149,243**		**$25,149,243**

Given the results of the audit, SIGAR recommends that the Mission Director of USAID/Afghanistan:

1. **Determine the allowability of and recover, as appropriate, $25,149,243 in questioned costs identified in the report.**
2. **Advise DAI to address the four internal control findings identified in the report.**
3. **Advise DAI to address the compliance finding identified in the report.**

We will be following up with your agency to obtain information on the corrective actions taken in response to our recommendations.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-003)

[4] Unsupported costs are costs for which adequate or sufficient documentation necessary for the auditor to determine the propriety of costs was not made available.
[5] Ineligible costs are costs that the auditor has determined to be unallowable. These costs are recommended for exclusion from the Fund Accountability Statement and review by USAID to make a final determination regarding allowability.

DEVELOPMENT ALTERNATIVES, INC.

Financial Audit of Costs Incurred under
Task Order No. 306-M-00-05-00515-00

For the Period February 15, 2005 to June 30, 2009

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SUMMARY

Background

The Special Inspector General for Afghanistan Reconstruction (SIGAR) contracted with Mayer Hoffman McCann P.C. (MHM) to perform a Financial Audit of Costs Incurred under Task Order No. 306-M-00-05-00515-00 (Task Order), between Development Alternatives, Inc. (DAI) and the United States Agency for International Development (USAID) for the period February 15, 2005 to June 30, 2009. The Task Order was issued under the United States General Services Administration (GSA) Mission Oriented Business Integrated Services (MOBIS) Contract No. GS-10F-0359M. The MOBIS contract allows for the placement of firm fixed price or time and materials task orders to be reimbursed by USAID.

Effective February 15, 2005, USAID entered into a Task Order with DAI in the total estimated amount of $108,386,801. At the time of award, USAID obligated $1,800,000. The original period of performance was through February 14, 2009. This Task Order was modified 15 times, increasing the total amount to $118,386,802 and extending the period of performance through June 30, 2009.

The purpose of the Task Order was to implement the Alternative Livelihood Program for the Eastern Region (ALP/E) in the eastern provinces of Kunar, Laghman, and Nangarhar. In 2004, the eastern provinces accounted for almost one-third of all of Afghanistan's poppy production, and in Nangarhar, the number of households involved in the opium economy was double that of the national average (more than 70 percent of families). The Task Order was modified on October 3, 2007 to rename the ALP/E to the Alternative Development Program East (ADP/E).

ADP/E's goal was to accelerate broad-based, sustainable regional economic development in ways that provide new opportunities for Afghans in the licit economy in the eastern region of Afghanistan. The program had two objectives: (1) to help accelerate licit economic growth and business activity, and (2) to help provide an immediate alternative source of income to poor households whose livelihoods depend, directly or indirectly, on the opium economy.

To carry out the program, DAI conducted training in livestock husbandry, business skills, agricultural practices, introduced a mobile phone system, rehabilitated roads and irrigation canals, and provided support to farmers, government officials and business owners.

Objectives, Scope and Methodology

Objectives

The objectives of the audit include the following:

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- *Internal Controls* – Evaluate and obtain a sufficient understanding of DAI's internal controls related to the award; 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 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.

- *Corrective Action on Prior Audit Recommendations* – Determine and report on whether DAI has taken adequate corrective action on prior external audit report recommendations or other external assessment recommendations.

- *The Fund Accountability Statement (FAS)* – Express an opinion on whether the FAS presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government and fund balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

Scope

The scope of this audit included all costs incurred during the period February 15, 2005 to June 30, 2009 under the Task Order. Our testing of overhead was limited to determining that the overhead was calculated using the correct provisional negotiated indirect cost rate for the given fiscal year, as approved by USAID.

Methodology

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

Entrance Conference

An entrance conference was held via conference call on December 11, 2012 with representatives of DAI, SIGAR and USAID in attendance.

Planning

During our planning phase, we performed the following:

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- Obtained an understanding of DAI;
- Reviewed awards and modifications to DAI;
- Reviewed regulations specific to the funding agency of the award;
- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques.

Internal Control Related to the FAS

We reviewed DAI's internal controls related to the FAS. This review was accomplished through interviews with management and key personnel, review of policies and procedures, identifying key controls within significant transaction cycles, and testing those key controls.

Compliance with the Task Order Requirements and Applicable Laws and Regulations

We reviewed the Task Order, modifications and any subawards and documented all compliance requirements that could have a direct and material effect on the FAS. 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.

Corrective Action on Prior Audit Recommendations

We reviewed all prior audit reports and recommendations provided and evaluated the status of the prior audit recommendations by reviewing evidence of any corrective actions taken.

Fund Accountability Statement

In reviewing the FAS, we performed the following:

- Reconciled the costs on the FAS to the Agreement 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.

Pre-Exit Conference

A pre-exit conference was held on March 1, 2013 with DAI to discuss the status of the audit. A final pending list consisting of items requiring follow-up and/or additional documentation was provided to DAI along with a due date for submission.

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Exit Conference

An exit conference was held on April 4, 2013. Attendees included 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 Task Order with USAID identified the following matters:

Auditor's Opinion on FAS

We issued a qualified opinion on the fairness of the presentation of the FAS. This opinion was based upon the identification of certain questioned costs totaling $25,149,243, which represents a material misstatement of the FAS. The ultimate determination of whether the identified questioned costs are to be accepted or disallowed rests with the USAID.

Scope Limitation

We were unable to determine whether the costs claimed from DAI's prime subcontractor, BearingPoint, were reasonable, allowable and allocable to the Task Order as BearingPoint filed bankruptcy and all documentation related to the Task Order could not be provided. According to management and our review of the Fund Accountability Statement, total costs incurred from February 15, 2005 through June 30, 2009 by BearingPoint were $1,447,419 as follows:

Labor	$1,121,227
Other direct costs/G&A	326,192
Total costs incurred by BearingPoint	$1,447,419

Questioned Costs

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are deemed to not be allowable in accordance with the terms of the Task Order and applicable laws and regulations. Unsupported costs are those costs for which inadequate supporting documentation was provided for our review. A summary of questioned costs is as follows.

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Ineligible Costs

Our audit identified no costs that were deemed to be ineligible.

Unsupported Costs

- Identical Fingerprints and/or signature were identified on the Cash-for-Work (CFW) Programs and Temporary Consultants Costs. Total costs and related overhead for the CFW Program and Temporary Consultants were $11,798,501 and $4,070,489, respectively. See Finding 2013-1 in the Findings and Responses section of this report.

- Expenses incurred for DAI Expat GSA Labor, DAI CCN GSA Labor, Transportation and Allowances, Other Direct Costs/G&A, Subcontracts, and Implementation Funds, were either unsupported, lacked management approval, were inadequately translated and/or did not follow proper procurement procedures, which resulted in questioned costs of $7,832,834. See Finding 2013-2 in the Findings and Responses section of this report.

- DAI did not obtain support for the expenses incurred by BearingPoint, Inc. nor performed adequate subcontractor monitoring to ensure expenses claimed were adequately supported. In February 2009, BearingPoint, Inc. filed for Chapter 11 bankruptcy. All BearingPoint, Inc. records related to DAI's ADP/E program were no longer available. Total costs claimed by DAI under the agreement with BearingPoint, Inc. included labor and other direct costs totaled $1,121,227 and $326,192, respectively. See Finding 2013-4 in the Findings and Responses section of this report.

Total questioned costs as a result of our audit are as follows. These questioned costs resulted in a material misstatement of the FAS.

Ineligible costs	$ -
Unsupported costs	25,149,243
Total questioned costs	$25,149,243

Internal Control Findings

Internal control findings are classified into three categories, deficiency, significant deficiency, and material weakness. 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 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

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with governance. 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 FAS will not be prevented, or detected and corrected on a timely basis. A summary of the internal control findings noted as a result of the audit are as follows:

Material Weakness

The following material weaknesses were reported:

Finding Number	Internal Control Finding – Material Weakness	Auditee's Concurrence
2013-1	Identical Fingerprints and/or signatures were identified on CFW Programs and Temporary Consultants Costs. Total costs and related overhead for the CFW Program and Temporary Consultants were $11,798,501 and $4,070,489, respectively.	Disagree
2013-2	DAI did not consistently follow procurement procedures related to DAI Expat GSA labor, DAI CCN GSA labor, transportation and allowances, other direct costs/G&A, Subcontracts, and Implementation Funds totaling $7,832,834.	Disagree
2013-4	DAI did not properly monitor cost incurred by its subcontractor and was unable to provide supporting documentation for expenses by its prime subcontractor, BearingPoint. Total unsupported subcontractor's cost was $1,447,419.	Disagree

Significant Deficiency

The following significant deficiencies were reported:

Finding Number	Internal Control Finding – Significant Deficiency	Auditee's Concurrence
2013-3	DAI time reporting policy did not appear adequate. According to DAI's time sheet procedures, employees were required to submit, and a supervisor's approval must be performed, 3 days prior to the end of the working month. This would cause the employees and supervisors to estimate their time for these final 3 days. No follow-up	Disagree

SUMMARY

Finding Number	Internal Control Finding – Significant Deficiency	Auditee's Concurrence
	adjustments were made to convert the estimated hours to actual.	

Deficiencies

No deficiencies were reported.

The complete management response from DAI to each of the internal control findings can be found in Appendix C to this report.

Compliance Findings

As part of obtaining reasonable assurance about whether the FAS 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 FAS. The results of our tests disclosed the following instance of noncompliance.

Finding Number	Compliance Finding	Auditee's Concurrence
2013-5	The original records for 2005 through 2006 were destroyed after copies were submitted to the Home Office.	Disagree

The complete management response from DAI to the compliance finding can be found in Appendix C to this report.

Summary of DAI's Responses to Findings

The following represents a summary of the responses provided by DAI to the findings identified in this report. The complete responses received can be found in Appendix C to this report.

- Finding 2013-1: DAI disagrees with the finding and recommendation. It believes that the work intended under the CFW project was achieved and that there are legitimate reasons why some fingerprints would be identical. DAI indicates that all expenses requested for reimbursement were thoroughly reviewed by DAI staff prior to submission to USAID.

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- Finding 2013-2: DAI disagrees with the finding and recommendation. It indicated that all expenses requested for reimbursement were thoroughly reviewed by DAI staff prior to submission to USAID. All relevant missing supporting documentation is stored in Afghanistan and DAI is working to retrieve this documentation. DAI does agree that the information from the old accounting system used during 2005 was unable to be retrieved before the conclusion of audit fieldwork.

- Finding 2013-3: DAI agrees that the financial policy does require the timesheets to be submitted three working days prior to the last working day of the month. DAI asserts that adjustments needed would be changed prior to the release of payment. It maintains that this process was appropriate and had no effect on the billed costs. Its Internal Audit Department recognizes that this finance approach created an onerous review process and has worked with projects over the last few years to ensure that timesheets are submitted only after actual hours worked are recorded.

- Finding 2013-4: DAI disagrees with the finding and recommendation since it was precluded an opportunity to review BearingPoint's detailed documentation. DAI asserts that it is inappropriate to hold DAI responsible for BearingPoint's supporting documentation. Further, DAI states that BearingPoint's invoices were submitted in a manner consistent with the AIDAR.

- Finding 2013-5: DAI disagrees with the finding and recommendation. It asserts that there is no requirement within the Federal Acquisition Regulation to maintain original documents. DAI states that it maintains all required records as required by FAR 4.703, Policy on Contractor Record Retention.

Review of Prior Findings and Recommendations

We reviewed the corrective actions taken to address findings and recommendations from previous engagements that could have a material effect on the FAS. DAI provided two reports from previous engagements with recommendations for our review. These reports were included in the scope of this audit and they included 8 findings with a potential material effect on the FAS. Based on our review, adequate corrective action was taken on all 8 recommendations. See Appendix A for details related to each of the prior audit recommendations reviewed.

Internal Audit

DAI provided an Internal Audit Report prepared by DAI on October 8, 2008. This Internal Audit Report identified 6 findings. Based upon our review, DAI adequately implemented the corrective actions for all 6 findings. A summary of the findings is as follows:

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- The audit contained 1 finding related to updating DAI's procedure manuals.
- The audit contained 1 finding related to an unreconciled amount in petty cash.
- The audit contained 1 finding related to the project inventory list.
- The audit contained 1 finding related to personnel files.
- The audit contained 1 finding related to the justification for salary increases.
- The audit contained 1 finding related to the Information Technology (IT) policies.

USAID Audit Report No. 5-306-07-002-P

USAID performed a program review of the ADP/E Program on February 13, 2007. This program review identified 2 findings. Based upon our review, DAI adequately implemented the corrective actions for both findings. A summary of the findings is as follows:

- The audit contained 1 finding related to the program rollout being slower than expected.
- The audit contained 1 finding related to the key program activities not being fully implemented.

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INDEPENDENT AUDITOR'S REPORT
ON THE FUND ACCOUNTABILITY STATEMENT

We have audited the Fund Accountability Statement of Development Alternatives, Inc. (DAI) for Task Order No. 306-M-00-05-00515-00 (Task Order) with the United States Agency for International Development (USAID) for the period February 15, 2005 through June 30, 2009. The Fund Accountability Statement is the responsibility of DAI's management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

We conducted our audit of the Fund Accountability Statement in accordance with *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 Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

DAI did not maintain records supporting the costs incurred by its primary subcontractor during the period February 15, 2005 through June 30, 2009. Additionally, the primary subcontractor filed bankruptcy in February 2009. Costs incurred and reported by the subcontractor during this period were $1,121,227 and $326,192 for labor and other direct costs, respectively. However, due to a lack of records available for audit, we were unable to determine whether any adjustments to these amounts were necessary.

We also identified several transactions totaling $23,701,824 that were questionable based upon our review of the underlying support for the specified transactions. The ultimate determination of whether the identified questioned costs are to be accepted or disallowed rests with the USAID.

In our opinion, except for the possible effects of the matters described in the preceding paragraphs and the ultimate determination and resolution of the identified questioned costs, the Fund Accountability Statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and items and technical assistance directly procured by USAID for the indicated period in accordance with the terms of the Agreement and in conformity with the basis of accounting described in Note 2.

Board of Directors
Development Alternatives, Inc.
7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland 20814

In accordance with *Government Auditing Standards,* we have also issued our reports dated June 26, 2013 on our consideration of DAI's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this Independent's Auditor's Report in considering the results of our audit.

This report is intended for the information of Development Alternatives, Inc., United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction. 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.

Mayer Hoffman McCann P.C.

Irvine, California
June 26, 2013

DEVELOPMENT ALTERNATIVES, INC.

Financial Audit of Costs Incurred under
Contract No. 306-M-00-05-00515-00

Fund Accountability Statement

For the Period February 15, 2005 through June 30, 2009

			Questioned Costs		
	Budget	Actual	Ineligible	Unsupported	Notes
Revenues:					
306-M-00-05-00515-00	$118,386,801	$115,521,247	$ -	$ -	(3)
Total revenues	118,386,801	115,521,247	-	-	
Costs incurred:					
DAI Expat GSA labor			-		(4)
DAI CCN GSA labor			-		(5)
Transportation and allowances			-		(6)
BearingPoint GSA labor			-		(7)
BearingPoint GSA ODC			-		(7)
Other direct costs/G&A			-		(8), (11)
Subcontracts			-		(9)
Implementation funds			-		(10), (11)
Fixed fee			-		
Total costs incurred	118,386,801	115,521,246	-	25,149,243	
Outstanding fund balance	$ -	$ 1	$ -	$ (25,149,243)	(12)

See Notes to Fund Accountability Statement

DEVELOPMENT ALTERNATIVES, INC.

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Notes to Fund Accountability Statement

For the Period February 15, 2005 to June 30, 2009

(1) Status and Operation

Development Alternatives, Inc. (DAI) was founded in 1970 with the intent on providing a more dynamic and effective brand of development assistance. DAI provides integrated solutions in corporate services, economic growth, environment and energy, governance, health, and stability. DAI has regional offices in Jordan, Mexico, Pakistan, Palestine, South Africa, and the United Kingdom.

Effective February 15, 2005, the United States Agency for International Development (USAID) entered into Task Order No. 306-M-00-05-00515-00 (Task Order) with DAI in the total estimated amount of $108,386,801. At the time of award, USAID obligated $1,800,000. The original period of performance was through February 14, 2009. This Task Order was modified 15 times increasing the total amount to $118,386,802 and extending the period of performance through June 30, 2009.

The purpose of the Task Order to DAI was to implement the Alternative Livelihood Program for the Eastern Region (ALP/E) in the eastern provinces of Kunar, Laghman, and Nangarhar. In 2004, the eastern provinces accounted for almost one-third of all of Afghanistan's poppy production, and in Nangarhar, the number of households involved in the opium economy was double that of the national average (more than 70 percent of families). The Task Order was modified on October 3, 2007 to rename the ALP/E to the Alternative Development Program East (ADP/E).

ADP/E's goal was to accelerate broad-based, sustainable regional economic development in ways that provide new opportunities for Afghans in the licit economy in the eastern region of Afghanistan. The program had two objectives: (1) to help accelerate licit economic growth and business activity, and (2) to help provide an immediate alternative source of income to poor households whose livelihoods depend, directly or indirectly, on the opium economy.

To carry out the program, DAI conducted training in livestock husbandry, business skills, agricultural practices, introduced a mobile phone system, rehabilitated roads and irrigation canals, and provided support to farmers, government officials and business owners.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Fund Accountability Statement reflects the revenues received and expenses incurred under the Task Order. It has been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

(b) Foreign Currency Conversion Method

DAI converts its expenses that were paid in local currency (Afghanis) into reporting currency (U.S. Dollar) by applying an average monthly rate based upon the bank rates used to transfer funds between U.S. dollar account and Afghanis account.

(c) Questioned Costs

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are deemed to not be allowable in accordance with the terms of the Task Order and applicable laws and regulations. Unsupported costs are those costs for which no or inadequate supporting documentation was provided for our review.

(3) Revenues

As of June 30, 2009, DAI has received $115,521,247 in payments from USAID under the Task Order.

(4) DAI Expat GSA Labor

DAI reported DAI Expat GSA labor costs, which include applicable fringe and overhead, in the amount of $10,492,113 for the period February 15, 2005 through June 30, 2009. Unsupported DAI Expat GSA Labor costs consisted of the following. See Finding 2013-2 in the Findings and Responses section of this report.

(4) DAI Expat GSA Labor (Continued)

Observation	Number of Errors	Questioned Cost
DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support	7	$874,517
Missing timesheets	1	8,603
Missing approval from supervisor for time sheet	1	976
Total questioned costs related to DAI Expat GSA Labor and applicable fringe and overhead	9	$884,096

(5) DAI CCN GSA Labor

DAI reported Cooperating Country National (CCN) GSA Labor costs, which include applicable fringe and overhead, in the amount of $4,969,862 for the period February 15, 2005 through June 30, 2009. For three of the invoices tested, DAI was not able to provide supporting documentation such as timesheets, payroll registers and other relevant support. This resulted in questioned costs, including applicable fringe and overhead, of $13,182. See Finding 2013-2 in the Findings and Responses section of this report.

(6) Transportation and Allowances

DAI reported transportation and allowances costs in the amount of $3,698,332 for the period February 15, 2005 through June 30, 2009. Unsupported transportation and allowance costs consisted of the following. See Finding 2013-2 in the Findings and Responses section of this report.

Observation	Number of Errors	Questioned Cost
No supporting documentation provided	12	$148,340
Support provided was less than amount incurred	1	149
Travel voucher submitted beyond required timeframe	1	150
Total questioned costs related to transportation and allowances	14	$148,639

(7) BearingPoint

DAI reported BearingPoint GSA labor and other direct costs in the amount of $1,121,227 and $326,192, respectively, for the period February 15, 2005 through March 30, 2009. DAI entered into a contract teaming agreement with BearingPoint, Inc. in 2005. During the life of the Task Order, DAI did not obtain support for the expenses incurred by BearingPoint, Inc., nor performed adequate subcontractor monitoring to ensure expenses claimed were adequately supported. In February 2009, BearingPoint, Inc. filed for Chapter 11 bankruptcy. All records related to DAI's ADP/E program were no longer available. Total costs incurred by DAI under the contract teaming agreement with BearingPoint, Inc. included labor and other direct costs in the amount of $1,121,227 and $326,192, respectively. See Finding 2013-4 in the Findings and Responses section of this report.

(8) Other Direct Costs/G&A

DAI reported other direct costs/general and administrative (G&A) costs in the amount of $19,819,980 for the period February 15, 2005 through June 30, 2009. Unsupported other direct costs/G&A costs consisted of the following:

Temporary Consultant

As described in Note 11, a portion of the temporary consultant costs claimed under Other Direct Costs/G&A were unsupported due to identical fingerprints and/or signatures and other exceptions identified. Total unsupported temporary consultant costs included as other direct costs/G&A were [redacted]. See Finding 2013-1 in the Findings and Responses section of this report.

Other Expenses Included as Other Direct Costs

We noted the following unsupported costs for various other expenses included as other direct costs/G&A. See Finding 2013-2 in the Findings and Responses section of this report.

Observation	Number of Errors	Questioned Cost
Payment made to an individual, which was not in accordance with the terms and conditions of the invoice which requires payment be made to the vendor	25	[redacted]
Missing required certifications and payment was made to an individual instead of the vendor	3	[redacted]
No supporting documentation provided	31	[redacted]

(8) Other Direct Costs/G&A (Continued)

Observation	Number of Errors	Questioned Cost
Missing goods delivery receipt, invoice date prior to purchase request date and payment was made to an individual instead of the vendor	2	[redacted]
Missing Contracting Officer approval and payment was made to an individual instead of the vendor	2	[redacted]
Invoice date prior to purchase request date and payment was made to an individual instead of the vendor	1	[redacted]
Missing purchase order	5	[redacted]
Missing goods delivery receipt, invoice date prior to purchase request date and payment was not fully supported	1	[redacted]
Missing goods delivery receipt and invoice date was after request for payment and check dates	1	[redacted]
No approval on purchase order	3	[redacted]
Missing goods delivery receipt and payment was made to an individual instead of the vendor	1	[redacted]
Missing invoice	3	[redacted]
Missing goods delivery receipt and invoice date was after check date	1	[redacted]
Missing invoice and payment was made to an individual instead of the vendor	1	[redacted]
Missing payment request form	18	[redacted]
Invoice date prior to purchase request date	2	[redacted]
Payment request form not mathematically correct	1	[redacted]
Invoice not translated to English and payment was made to an individual instead of the vendor	1	[redacted]
Payment not fully supported and advance not liquidated within 72 hours	1	[redacted]
Missing quotes and payment was made to an individual instead of the vendor	1	[redacted]
Missing payment support	3	[redacted]
Payment not fully supported and invoice not translated to English	2	[redacted]
Invoice date prior to purchase request date and payment was made to an individual instead of the vendor	1	[redacted]
Advance payment was not liquidated within 72 hours	4	[redacted]
Invoice provided was less than amount incurred	2	[redacted]
Missing payment request form and advance not liquidated within 72 hours	1	[redacted]
Missing quotes	1	[redacted]
Missing goods delivery receipt and invoice not translated to English	1	[redacted]

DEVELOPMENT ALTERNATIVES, INC.

Financial Audit of Costs Incurred under
Task Order No. 306-M-00-05-00515-00

Notes to Fund Accountability Statement

(Continued)

(8) Other Direct Costs/G&A (Continued)

Condition	Number of Errors	Questioned Cost
Missing payment request form, goods delivery receipt and payment support	2	$ [redacted]
Missing purchase request form and items purchased did not match goods delivery receipt	1	[redacted]
Missing payment request form and payment was made to an individual instead of the vendor	1	[redacted]
Missing payment request form, purchase request form, goods delivery receipt and invoice was not mathematically correct	1	[redacted]
Missing payment request form and payment support	3	[redacted]
Employee paid at a rate in excess of the stated rate per the employment agreement	2	[redacted]
Missing goods delivery receipt, advance not liquidated within 72 hours and payment was made to an individual instead of the vendor	1	[redacted]
Missing payment request form and item purchased did not match goods delivery receipt	1	[redacted]
Item purchased not listed on purchase request form	1	[redacted]
Payment not fully supported	3	[redacted]
Various other errors	10	[redacted]
Total questioned other direct costs	145	[redacted]

G&A

The negotiated indirect cost rates were as follows:

	Effective Period		Indirect Cost Rates			
Type	From	Through	Home Office/Overseas Fringe Benefits	Part Time and Intermittent Fringe Benefits	Overhead	G&A
Provisional	1/1/05	12/31/05	[redacted]	[redacted]	[redacted]	[redacted]
Provisional	1/1/06	12/31/06	[redacted]	[redacted]	[redacted]	[redacted]
Provisional	1/1/07	12/31/07	[redacted]	[redacted]	[redacted]	[redacted]
Provisional	1/1/08	12/31/08	[redacted]	[redacted]	[redacted]	[redacted]
Provisional	1/1/09	12/31/09	[redacted]	[redacted]	[redacted]	[redacted]

(8) Other Direct Costs/G&A (Continued)

Since costs were questioned in other cost categories, associated G&A costs have also been questioned as follows. See Finding 2013-2 in the Findings and Responses section of this report.

Cost Category	Questioned Cost	Associated G&A Costs
Other direct costs/G&A	[redacted]	[redacted]
Subcontracts	[redacted]	[redacted]
Implementation funds	[redacted]	[redacted]
Temporary consultants	[redacted]	[redacted]
Cash-for-work	[redacted]	[redacted]
Total questioned G&A costs		[redacted]

Total questioned other direct costs/G&A are as followed:

Cost Category	Questioned Cost
Temporary consultants	$ [redacted]
Other direct costs	[redacted]
G&A	[redacted]
Total questioned other direct costs/G&A	$6,267,129

(9) Subcontracts

DAI reported subcontract costs in the amount of $7,179,088 for the period February 15, 2005 through June 30, 2009. Unsupported subcontract costs consisted of the following. See Finding 2013-2 in the Findings and Responses section of this report.

(9) Subcontracts (Continued)

Condition	Number of Errors	Questioned Cost
Missing timesheets	6	[redacted]
Missing timesheets and missing receipts	1	[redacted]
Missing receipts, cost incurred prior to subcontractor billing period but no evidence provided to ensure it had not been previously billed, and per diem not detailed	1	[redacted]
Missing receipts and post differential did not agree to timesheet	1	[redacted]
Total questioned subcontract costs	9	[redacted]

(10) Implementation Funds

DAI reported implementation fund costs in the amount of $63,811,518 for the period February 15, 2005 through June 30, 2009. Unsupported implementation fund costs consisted of the following.

Temporary Consultant and Cash-for-Work

As described in Note 11, a portion of temporary consultant costs, as well as all Cash-for-Work (CFW) payments included in implementation funds, were unsupported due to identical fingerprints and/or signatures and other exceptions identified. Total unsupported temporary consultant and CFW payments were [redacted] and [redacted], respectively. See Finding 2013-1 in the Findings and Responses section of this report.

Other Expenses Included as Implementation Funds

During our testing of other expenses accounts reported under implementation funds, the following unsupported costs were noted. See Finding 2013-2 in the Findings and Responses section of this report.

(10) Implementation Funds (Continued)

Condition	Number of Errors	Questioned Cost
Payment was made to an individual instead of the vendor	24	[redacted]
Payment was not made in accordance with the terms and conditions of the invoice by the payment being made to an individual instead of the vendor and invoice was not translated to English	3	[redacted]
No supporting documentation provided	13	[redacted]
Payment not fully supported, missing invoice and payment was made to an individual instead of the vendor	15	[redacted]
Payment was not made in accordance with the terms and conditions of the invoice by the payment being made to an individual instead of the vendor and invoice date was prior to goods delivery receipt	1	[redacted]
Missing documents required per subcontract	1	[redacted]
Advance not liquidated within 72 hours	7	[redacted]
No purchase order	1	[redacted]
Missing payment support	10	[redacted]
Invoice not translated to English	1	[redacted]
Payment not fully supported and missing invoice	3	[redacted]
Missing payment request and missing rental agreement	3	[redacted]
Individual receiving payment was different than individual per rental agreement	2	[redacted]
Missing payment request	2	[redacted]
Various other errors	12	[redacted]
Total questioned other expenses under implementation funds	98	[redacted]

Total questioned implementation funds are as follows:

Cost Category	Questioned Cost
Temporary consultants	$ [redacted]
Cash-for-Work	[redacted]
Other expenses under implementation funds	[redacted]
Total questioned implementation funds	$ [redacted]

(11) Temporary Consultants and Cash-for-Work Payments

During our review of temporary consultants and the CFW Program, we noted identical fingerprints and/or signatures on the timesheets and receipt of payment forms. In addition, we identified other exceptions including lack of approval from the Shura, who is the council member of the local Afghanistan villages, on the timesheets; receipt of payment forms were not signed by two DAI employees; the home village of day laborers was not listed on the timesheets; and no Advance Request and Liquidation Form was included as required by DAI's policies. All costs associated with the temporary consultants and CFW Program have been questioned. See Finding 2013-1 in the Findings and Responses section of this report.

DAI incurred $11,798,501, including G&A costs, for the CFW Program reported under the implementation funds cost category as follows.

Cost Category	Questioned Project Costs	Associated G&A Costs	Total Questioned Costs
Implementation funds	$[redacted]	$[redacted]	$11,798,501

DAI incurred $4,070,489, including G&A costs, for temporary consultants under the other direct costs/G&A and implementation funds cost categories as follows.

Cost Category	Questioned Project Costs	Associated G&A Costs	Total Questioned Costs
Other direct costs/G&A	$ [redacted]	$ [redacted]	$ 608,692
Implementation Funds	[redacted]	[redacted]	3,461,797
Total temporary consultants questioned costs	$[redacted]	$[redacted]	$4,070,489

(12) Reconciliations

As of June 30, 2009, DAI received $1 in excess of its expenses under the Contract. This excess was due to rounding within the FAS. There is no cash balance carried by DAI.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

We have audited the Fund Accountability Statement, with respect to Task Order No. 306-M-00-05-00515-00 (Task Order), of Development Alternatives, Inc. (DAI) for the period February 15, 2005 through June 30, 2009, and have issued our report thereon dated June 26, 2013. 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.

Management of DAI is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered DAI's internal control over financial reporting, with respect to the Task Order, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement, but not for the purpose of expressing an opinion on the effectiveness of DAI's internal control over financial reporting with respect to the Task Order. Accordingly, we do not express an opinion on the effectiveness of DAI's internal control over financial reporting with respect to the Task Order.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Findings and Reponses as items 2013-1, 2013-2 and 2013-4 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 deficiency described in the accompanying Findings and Responses as item 2013-3 to be a significant deficiency.

DAI's responses to the findings identified in our audit are described in the accompanying Findings and Responses. We did not audit DAI's responses and, accordingly, we express no opinion on it.

This report is intended for the information of Development Alternatives, Inc., United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction. 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.

Irvine, California
June 26, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have audited the Fund Accountability Statement, with respect to Task Order No. 306-M-00-05-00515-00 (Task Order), of Development Alternatives, Inc. (DAI) for the period February 15, 2005 through June 30, 2009, and have issued our report thereon dated June 26, 2013. 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.

As part of obtaining reasonable assurance about whether DAI's Fund Accountability Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Fund Accountability Statement amounts. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Findings and Responses as item 2013-5.

DAI's responses to the findings identified in our audit are described in the accompanying Findings and Responses. We did not audit DAI's responses and, accordingly, we express no opinion on it.

This report is intended for the information of Development Alternatives, Inc., United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction. 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.

Mayer Hoffman McCann P.C.

Irvine, California
June 26 2013

2013-1: Identical Fingerprints and/or Signatures Identified on Cash-for-Work Programs and Temporary Consultants Costs

Condition:
Development Alternatives, Inc. (DAI) obtained fingerprints and/or signatures from the workers as proof of support that the individual received payment for the work performed. The result of this review disclosed a high incidence of irregularities. Specifically, we noted:

- The fingerprints and/or signatures of the workers hired under CFW programs and temporary consultants appeared to be identical;
- Timesheets used for proof of payment did not match the number of days paid; and
- The home village of the day laborers paid by the CFW program could not be identified and thus the target area benefited by the CFW program could not be determined. The total of these exceptions accounted for approximately 32% and 34% of the samples we tested for CFW and temporary consultants, respectively.

In addition, there were other exceptions noted, including a lack of approval from the local Shura on the timesheets, receipt of payment forms that were not signed by two DAI employees, as required by DAI internal policies, to ensure adequate internal controls over safeguarding cash, and missing Advance Request and Liquidation Forms which were required by DAI's policies.

Given these irregularities, it is unclear whether the payments made under the CFW Program and temporary consultants were to the individuals entitled to receive those payments.

Cause:
According to DAI, this condition occurred due to difficulties in performing adequate oversight in a hostile environment in Afghanistan. DAI indicated that identical fingerprints might be due to the Shura sometimes affixing his fingerprint to the timesheets in the absence of the recipient. In addition, due to scheduling conflicts, there were instances where only one DAI employee could go to the village to make the payments instead of having two DAI employees distributing the payments.

2013-1: Identical Fingerprints and/or Signatures Identified on Cash-for-Work Programs and Temporary Consultants Costs (Continued)

Criteria:
48 CFR 31.201-2, *Determining Allowability*, states, in part:

> "…(d) A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements…"

Additionally, 48 CFR 52.215-2, *Audit and Records – Negotiation*, states, in part:

> "…(b) *Examination of costs*. If this is a cost-reimbursement, incentive, time-and-materials, labor-hour, or price redeterminable contract, or any combination of these, the Contractor shall maintain…all records and other evidence sufficient to reflect properly all costs claimed to have been incurred or anticipated to be incurred directly or indirectly in performance of this contract…"

Effect:
Missing signatures on the timesheets does not allow DAI to ensure that payments were made to the intended recipients. Additionally, only having one DAI employee present during payment to the laborers does not allow for adequate segregation of duties, given that payments are made in cash, and cannot ensure that the laborers have received their earned wages. This increases the possibility that cash was misappropriated by intermediaries. DAI incurred a total of $15,868,990 of which $11,798,501, including general and administrative costs (G&A), was attributable to the CFW labor activities, and $4,070,489, including G&A, was attributable to temporary consultants. These activities are claimed under two cost categories as follows:

CFW Program:

Cost Category	Questioned Project Costs	Associated G&A Costs	Total Questioned Costs
Implementation funds	$[redacted]	$[redacted]	$11,798,501

2013-1: Identical Fingerprints and/or Signatures Identified on Cash-for-Work Programs and Temporary Consultants Costs (Continued)

Temporary Consultants:

Cost Category	Questioned Project Costs	Associated G&A Costs	Total Questioned Costs
Other direct costs/G&A	$ [redacted]	$ [redacted]	$ 608,692
Implementation Funds	[redacted]	[redacted]	3,461,797
Total temporary consultants questioned costs	$[redacted]	$[redacted]	$4,070,489

Recommendation:

(1) We recommend that DAI either provide the missing support to USAID or return $15,868,990 for insufficiently supported CFW and temporary consultant payments.

(2) We recommend that DAI establish appropriate procedures and controls to strengthen its monitoring of Afghanistan Vouchers for any future CFW Program and temporary consultant payments to ensure that intended beneficiaries receive program inputs and to detect irregularities, such as those identified by this audit, and address them in a timely manner.

2013-2: Lack of Adherence to Procurement Procedures

Condition:
DAI Expat GSA labor, DAI CCN GSA labor, transportation and allowances, other direct costs/G&A, subcontracts, and implementation funds, were tested for compliance with the Task Order. A total of 593 transactions amounting to $12,970,410 were tested, and total questioned costs of $7,832,834 were identified. The following exceptions were noted regarding a lack of adherence to procurement procedures. See Appendix B for details related to each of the questioned costs noted below.

- DAI reported DAI Expat GSA labor costs, which include applicable fringe and overhead, in the amount of $10,492,113. Total questioned costs related to DAI Expat GSA Labor and applicable fringe and overhead were $884,096 and consisted of the following types of exceptions:
    - DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support;
    - Missing timesheets; and
    - Missing approvals from supervisor for timesheets.

- DAI reported DAI CCN GSA labor, which include applicable fringe and overhead, in the amount of $4,969,862. Total questioned costs related to DAI CCN GSA labor and applicable fringe and overhead were $13,182 and consisted of DAI being unable to provide supporting documentation such as timesheets, payroll ledgers, and other relevant support.

- DAI reported transportation and allowances in the amount of $3,698,332. Total questioned costs related to transportation and allowances were $148,639 and consisted of the following types of exceptions:
    - No supporting documentation was provided;
    - The amount billed to USAID was not fully supported;
    - Missing request for travel; and
    - Travel voucher was submitted after the three day timeframe required by DAI's financial policies.

- DAI reported other direct costs/G&A costs in the amount of $19,819,980. The questioned costs related to other direct costs/G&A were $[redacted] and consisted of the following types of exceptions:
    - No supporting documentation was provided;
    - No approval was documented on the Purchase Order;
    - The amount billed to USAID was not fully supported;
    - Missing various documentation, including:
        - Request For Payment Forms;

2013-2: Lack of Adherence to Procurement Procedures (Continued)

- Purchase Request Forms;
- Goods Delivery Receipt Forms;
- Advance Request Forms;
- Advance Liquidation Forms;
- Payment support;
- Vendor invoices;
- Quotes;
- Timesheets;
- Certifications, as required by the subcontract agreement; and
- Purchase Orders to demonstrate approval for the transaction.

- Invoices did not have the dates listed, did not have the unit prices listed, did not have the quantity purchased listed, were not mathematically correct and/or were not translated into English;
- Quotes received were not translated into English;
- Dates of the Request For Payment Forms were prior to the Purchase Request Form dates;
- Dates of the Purchase Request Forms were after the Goods Delivery Receipt Form dates;
- Dates of the invoices were before the Purchase Request Form dates, before the Purchase Order dates, after the Request For Payment Form dates, after the checks and/or after the Goods Delivery Receipt Form dates;
- Dates of the quotes received were before the Purchase Request Form dates;
- Goods Delivery Receipt Forms did not list the quantity received or did not have the dates listed;
- Payment was not made in accordance with the terms and conditions of the invoice by the payment being made to an individual instead of the vendor;
- Advances were not liquidated within the 72 hour timeframe, as required by DAI's financial policies;
- Assets purchased were not listed on the inventory listing;
- Items purchased were not listed on the Purchase Request Forms, or do not match the items received on the Goods Delivery Receipt Forms;
- Individuals who received the advances did not match the payees on the checks;
- Purchase Request Forms were not listed on the Advance Request Forms;
- No approvals were obtained from the Contracting Officer;
- Employees were paid in excess of the monthly rates per the Employment Agreements;
- Rental agreements were not complete;
- Purpose of trainings were not documented; and
- Request for Payment Forms were not mathematically correct.

2013-2: Lack of Adherence to Procurement Procedures (Continued)

- DAI reported subcontract costs in the amount of $7,179,088. The questioned costs related to subcontracts were $[redacted] and consisted of the following types of exceptions:
  - Missing subcontractor timesheets;
  - Missing receipts for items over $75, as required by the subcontractor agreements;
  - Post differentials per subcontractor invoices did not agree to the subcontractors timesheets;
  - Expenses incurred in a period outside of the subcontractor invoices; and
  - Per diem and allowances were not individually detailed, as required by the subcontractor agreements.

- DAI reported implementation fund costs in the amount of $63,811,518. The questioned costs related to implementation funds were $[redacted] and consisted of the following types of exceptions:
  - No supporting documentation was provided;
  - The amount billed to USAID was not fully supported;
  - Missing various documentation, including:
    - Request For Payment Forms;
    - Purchase Request Forms;
    - Goods Delivery Receipt Forms;
    - Advance Request Forms;
    - Payment support;
    - Vendor invoices;
    - Timesheets;
    - Approval of timesheets;
    - Purchase Orders to demonstrate approval of the transaction;
    - Documents required by the subcontract agreements;
    - Rental agreements;
    - Vehicle Agreement Forms;
    - Vehicle Payment Forms; and
    - Supporting documentation for travel.
  - Invoices did not have the dates listed, did not have the unit prices listed and/or were not translated into English;
  - Timesheets were not translated into English;
  - Dates of the Request For Payment Form were before the Vehicle Payment Sheet dates;
  - Dates of the invoices were after the Goods Delivery Receipt Form dates;
  - Payment was not made in accordance with the terms and conditions of the invoice by the payment being made to an individual instead of the vendor;

2013-2: Lack of Adherence to Procurement Procedures (Continued)

- Advances were not liquidated within the 72 hour timeframe, as required by DAI's financial policies;
- Individuals who received payments were not the same individuals who signed the rental agreements;
- Days traveled per the Vehicle Payment Sheet did not match the days traveled per the Travel Request Forms;
- Days on the timesheets did not correlate to the days listed on the travel vouchers;
- Hours could not be substantiated due to illegible copies;
- Purposes of transactions were not documented; and
- Items purchased were not classified within the appropriate expense type.

Since costs were questioned in other cost categories, associated G&A costs have also been questioned as follows.

Cost Category	Questioned Cost	Associated Questioned Indirect Cost
Other direct costs/G&A	$[redacted]	$[redacted]
Subcontracts	[redacted]	[redacted]
Implementation funds	[redacted]	[redacted]
Total questioned G&A costs		$[redacted]

Cause:
This condition occurred due to management not effectively implementing and monitoring its procurement process.

Criteria:
48 CFR 31.201-2, *Determining Allowability*, states, in part:

> "…(d) A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements…"

2013-2: Lack of Adherence to Procurement Procedures (Continued)

Additionally, 48 CFR 52.216-7, *Allowable Cost and Payment*, states, in part:

> "…(b) *Reimbursing costs.* For the purpose of reimbursing allowable costs…the term "costs" includes only -- (1) Those recorded costs that, at the time of the request for reimbursement, the Contractor has paid by cash, check, or other form of actual payment for items or services purchased directly for the contract;…"

> "…(b) *Reimbursing costs.* For the purpose of reimbursing allowable costs…the term "costs" includes only -- …(A) Supplies and services purchased directly for the contract and associated financing payments to subcontractors, provided payments determined due will be made— (1) In accordance with the terms and conditions of a subcontract or invoice;…"

48 CFR 31.201-2 is incorporated into 48 CFR 52.216-7, which is specifically included in the Task Order.

AIDAR 752.211-70, *Language and* Measurement, states, in part:

> "…(a) The English language shall be used in all written communications between the parties under this contract with respect to services to be rendered and with respect to all documents prepared by the contractor except as otherwise provided in the contract or as authorized by the contracting officer…"

Additionally, DAI's Finance Manual (Finance Staff Only) for Afghanistan Alternative Development Program-East, states, in part:

> "Before any payments are made by the Finance Unit, all payment requests must follow proper procurement and financial procedures. The purpose of these procedures is to ensure all purchases have appropriate approvals…"
>
> Once the purchase request has been approved and sent to the Procurement Unit for processing, the Procurement Unit will either a) make the purchase first and then present the Finance Unit with: an invoice, the Purchase Request Form (PRF), a Goods Delivery Receipt (GDR), a Request For Payment (RFP); or b) will make an advance request by presenting the Finance Unit with an Advance Request Form (ARF) and the supporting PRF. The Finance Unit will provide Procurement with money and once the purchase is made, the Procurement Unit will liquidate their advance with an invoice, GDR, and supporting PRF…

2013-2: Lack of Adherence to Procurement Procedures (Continued)

> "Appropriate backup. DAI requires that original receipts be supplied for all transactions, with the exception of expenditures below $25.00 and if it is not possible to get a receipt. Evidence of necessary approvals is required…
>
> Temporary Advances of Funds for Local Operations…These transactions must be liquidated no later than 72 hours after funds are provided…
>
> Each ADP-E employee, must record time daily and not from memory at the end of a week or some other time period. …A timesheet must be completed by each employee (manually), and must be signed and approved by that employee's supervisor…
>
> Fixed Assets. …Items that have one year or more of useful life and cost $500 or over per unit are considered as non-expendable…"

Effect:
Lack of support and adherence to procurement procedures does not allow DAI to demonstrate that USAID funds were used for intended purposes, or that goods and services were actually received or procured at a reasonable cost. Based upon the actual results of our testing, costs in the amount of $7,832,834 were questioned. The sampled costs were statistically selected. Had the results of our testing been extrapolated to the population of each of the affected cost categories, the total questioned costs related to a lack of adherence to procurement procedures would have been $47,124,819.

Recommendation:

(1) We recommend that DAI either provide missing support to USAID or return $7,832,834 for the expenses which were inadequately supported, lacked management approval, or did not follow procurement procedures.

(2) We recommend that DAI review its accounting and procurement policies to ensure that the policies are reasonable and are based on the actual activities occurring in the field.

(3) We recommend that DAI comply with the terms of future Task Orders and the related Federal regulations by including all required supporting documentation behind transactions being requested for reimbursement.

2013-3: Inadequate Time Reporting Policy Resulting in Estimating Employee's Days Worked

Condition:
DAI's timesheet and time keeping policy states, "Timesheets for all local staff are due 3 working days before the last working day of the month and must be received by the finance office on time." This policy has resulted in the time recorded for the last three days to be an estimate, and the necessary adjustments were never made to reflect the actual time worked, if different. A reconciliation to adjust the estimated hours to actual was not provided.

Cause:
DAI's timekeeping policy was not properly developed to indicate that a reconciliation needs to be performed to ensure that the amount of hours worked on the last three days of the previous month were accurate. Although not explicitly stated in the timekeeping policy, DAI indicated that a reconciliation to reflect the actual time incurred had been performed, whenever necessary. However, such reconciliation was never provided during the audit.

Criteria:
48 CFR 31.205-6, *Compensation for personal services*, states, in part:

> "(a) *General*. Compensation for personal services is allowable subject to the following criteria… (1) Compensation for personal services must be for work performed by the employee in the current year and must not represent a retroactive adjustment of prior year's salaries or wages…"

Additionally, 48 CFR 52.232-7, *Payments under Time-and-Materials and Labor-Hour Contracts,* states, in part:

> "The Government will pay the Contractor as follows upon submission of vouchers… (a) *Hourly Rate.* …payment for labor that meets the labor category qualifications of a labor category specified in the contract that are— (i) Performed by the Contractor; (ii) Performed by the subcontractors;…"

The criteria under both 48 CFR 31.205-6 and 48 CFR 52.232-7 indicate that compensation can only be charged for actual time work and not based upon estimates of time worked.

2013-3: Inadequate Time Reporting Policy Resulting in Estimating Employee's Days Worked (Continued)

22 CFR 226.21, *Standard for financial management systems,* states in part:

> "…(b) Recipients' financial management systems shall provide for the following.
>
> (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in §226.52. While USAID requires reporting on an accrual basis, if the recipient maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for their reports on the basis of an analysis of the documentation on hand…"

48 CFR 31.205-6 is incorporated into 48 CFR 52.216-7, which is specifically included in the Task Order. Additionally, 48 CFR 232-7 is specifically included in the Task Order.

Effect:
Estimating days and/or hours worked, with no adjustments reflecting the actual time worked, if different, could result in inaccurate and unallowable payroll cost claimed/reported to USAID.

Recommendation:
We recommend that DAI revise its policy to ensure that there are no estimates for the days or hours worked. Alternatively, DAI could include in the policy that an adjustment would be performed at the beginning of the subsequent month to reflect any changes in the estimated amount of days or hours worked.

2013-4: Lack of Adequate Monitoring of Subcontractor

Condition:
DAI did not have an adequate monitoring process for program costs incurred and claimed by BearingPoint, one its subcontractors. During the early period of the Task Order, BearingPoint submitted reimbursement requests directly to USAID. USAID later modified the Task Order to require BearingPoint to submit reimbursement requests through DAI, who would, in turn, submit reimbursement requests to USAID. However, DAI did not perform any monitoring oversight for the reimbursement requests submitted by BearingPoint. In addition, DAI never obtained and reviewed the source documentation related to BearingPoint's expenses incurred. Instead, DAI only requested the summary invoices from BearingPoint and submitted those to USAID for reimbursement. DAI did not record any of the subcontractor's expenses in its General Ledger nor was there a detailed listing of the transactions that occurred during the period of the Task Order.

After the Task Order was completed, BearingPoint filed bankruptcy and was subsequently acquired by another company. However, all source documentation related to this program was never made available for audit.

Cause:
DAI did not properly follow and implement its policies and procedures for monitoring its subcontractors. Instead, it relied on its subcontractor's internal control over financial reporting.

Criteria:
22 CFR 226.51, *Monitoring and reporting of program performance,* states in part:

> "(a) Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in Section 226.26…"

Note that 22 CFR 226.51 is referred to within 22 CFR 226.50, which is referred to within ADS Chapter 540. ADS Chapter 540 is explicitly listed within section A.27 of the Task Order.

Additionally, 22 CFR 226.26, *Non-Federal Audits,* states in part:

> "…(d) Commercial organizations shall be subject to the audit requirements of USAID or the prime recipient as incorporated in the award document."

2013-4: Lack Adequate Monitoring of Subcontractor (Continued)

Furthermore, 48 CFR 31.201-2, *Determining Allowability*, states, in part:

> "…(d) A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements…"

DAI's Finance Manual for Afghanistan Alternative Development Program-East, states, in part:

> "*Procedures for Payment Approval of Subcontractors*…Financial approval: The following process should be performed by the Finance Unit:
> a. Verification if the submission of the invoice is in accordance with the clauses of the subcontract.
> b. Verification if the Technical Approval is attached to the invoice.
> c. Assure that the amounts claimed are considered in the approved budget of the subcontract and if they do not exceed the budgeted amounts.
> d. Review if the expenses are supported by the proper documentation (invoices, receipts or necessary justifications). Verify the arithmetic calculations.
> e. Review if the claimed expenses are eligible, reasonable and for the purpose of the activity…"

Additionally, DAI's Contractor Team Arrangement 5300-300-05S-004 with BearingPoint, states, in part:

> "1. DAI shall serve as Team Leader…2. Team Leader shall be responsible for consolidated billing, consolidated reporting, and project coordination of task orders."

Effect:
Inadequate monitoring of subcontractors' costs claimed does not allow DAI to demonstrate that USAID funds were used for their intended purposes, or that goods and services were actually received or procured at a reasonable cost. Total costs incurred by BearingPoint were $1,447,419, which consisted of labor and other direct costs in the amounts of $1,121,227 and $326,192, respectively.

2013-4: Lack Adequate Monitoring of Subcontractor (Continued)

Recommendation:

(1) We recommend that DAI either provide the missing support to USAID or return $1,447,419 to USAID for expenses of its subcontractor, BearingPoint, which were inadequately supported.

(2) We recommend that DAI effectively implement its policies over monitoring its subrecipients.

2013-5: Maintenance of Original Supporting Documentation

Condition:
There were multiple instances where the original supporting documentation for a particular sample could not be located or only copies were provided by DAI.

Cause:
It is DAI's policy for the Field Office to submit all supporting documentation to the Home Office via mail or scanning documents. During 2005 and 2006, it appears that the originals were destroyed after the copies were sent to the Home Office.

Criteria:
22 CFR 226.53, *Retention and access requirement for records,* states, in part:

> "(a) This section sets forth requirements for record retention and access to records for awards to recipients. USAID shall not impose any other record retention or access requirements upon recipients.
>
> (b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by USAID. The only exceptions are the following:
>
> (1) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken…
>
> (c) Copies of original records may be substituted for the original records if authorized by USAID…"

Effect:
Failure to maintain original records and supporting documentation without approval of USAID could result in an inability to demonstrate that costs incurred were adequately supported and related to the Task Order. Although copies of records were provided, original records should be retained to prevent situations involving unclear and unreadable copies.

2013-5: Maintenance of Original Supporting Documentation (Continued)

Recommendation:
We recommend that DAI revise its document maintenance procedures to ensure that the original supporting documentation is organized and readily available.

APPENDIX A

DEVELOPMENT ALTERNATIVES, INC.

Financial Audit of Costs Incurred under
Task Order No. 306-M-00-05-00515-00

Review of Prior Findings and Recommendations

For the Period February 15, 2005 to June 30, 2009

The following prior audit recommendations were reviewed as part of the scope of this audit. We have included the current status of each recommendation.

Internal Audit

DAI provided an Internal Audit Report performed by DAI on October 8, 2008. The following findings and our review of the status of the corrective action taken by DAI are noted below.

- Updating Procedure Manuals

  Recommendation

  Project Management should review and update all of the procedure manuals (Finance, Procurement, Personnel, Vehicle Use and Travel Policy) and have them approved by the Chief of Party (COP) and distributed to the staff.

  Current Status

  DAI revised and updated the ADP/E procedure manuals after the issuance of the internal audit report, obtained proper approvals and provided them to the staff. The corrective action implemented is considered adequate and this finding has been resolved.

- Unreconciled Amount in Petty Cash

  Recommendation

  ADP/E should request that the Home Office write-off of the unreconciled amounts with the support of the documents in the files. Also, the Finance Manager should conduct surprise petty cash counts on a weekly basis to detect any difference in the petty cash fund balance.

  Current Status

  The Field Office submitted a write-off request along with the appropriate supporting documentation. The Home Office approved the write-off request on December 3, 2008 and uploaded the write-off to the general ledger on December 16, 2008. During the ADP/E project, the Finance Manager performed surprise petty cash counts on a weekly basis. The corrective action implemented is considered adequate and this finding has been resolved.

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Review of Prior Findings and Recommendations

(Continued)

- Project Inventory List

  Recommendation

  The inventory list in TAMIS must be completed and updated to include all projects' equipment within 30 days. The schedule should include the serial number, date of acquisition, type of equipment, location of equipment (office), and amount. In addition, all project properties and equipment should be labeled and identified. A periodic physical count of the project assets should be conducted by the Logistics Manager and verified by the Deputy Chief of Party (DCOP) at least semi-annually to ensure the completeness of the inventory schedule. Any differences should be investigated and reconciled.

  Current Status

  DAI updated the inventory listing to include required information. Since the project completed in 2009, the inventory and equipment were disposed to the appropriate parties as requested by USAID. The corrective action implemented is considered adequate and this finding has been resolved.

- Personnel Files

  Recommendation

  All documents included in the personnel files must be filed in a specific order following a checklist containing the basic documentation required from each employee. Without exception, all Annual Performance Evaluations must be supported with the evaluator's comments on each performance factor evaluated in order to justify the salary increase.

  Current Status

  The personnel files were reviewed and documents reordered to follow the checklist. Justifications for any undocumented salary increases were prepared. Any old performance evaluations for employees who have left DAI were not updated. A memo containing this explanation was signed by the COP and added to the files. The corrective action implemented is considered adequate and this finding has been resolved.

- Justification for Salary Increases

  Recommendation

  The COP or the ADP/E Salary Committee must prepare written justifications for each salary increase resulting from an employment anniversary or promotion. New scopes of work must be attached. Any salary beyond the budget percentage rate must be justified, documented and filed in the personnel files. Management should ensure rate increases that require USAID approval have the required approval.

  Current Status

  DAI completed the written justifications for any undocumented salary increases along with the appropriate scopes of work. The corrective action implemented is considered adequate and this finding has been resolved.

- Information Technology (IT) Policies

  Recommendation

  Although the Home Office IT Department sends periodic reminders to the field about IT policies and procedures, ADP/E IT must prepare its own IT policies in line with the Home Office policies with regard to the use of equipment, internet, confidentiality of the information, frequency of making back-up tapes for all the ADP/E data, and data is safeguarded. Also, it was recommended that the back-up tapes be kept out of the office facilities, in a fire proof safe at the NBP or one of the guest houses.

  Current Status

  DAI has updated the ADP/E IT policies. In addition, the back-up tapes were stored in a fire proof safe. The corrective action implemented is considered adequate and this finding has been resolved.

USAID Audit Report No. 5-306-07-002-P

USAID performed a program review of the ADP/E Program on February 13, 2007. The report indicated the following observations and recommendations, along with our assessment of the current status.

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Review of Prior Findings and Recommendations

(Continued)

- Program Rollout Slower Than Expected

  Condition

  According to its Alternative Livelihoods Program-Eastern (ALP/E) Region statement of work, DAI was to launch immediate impact activities to coincide with other U.S. government efforts to reduce the amount of opium poppy planted in October 2005 through December 2005. For the most part, however, DAI did not substantially implement its activities until February 2006. This delay occurred because DAI and USAID/Afghanistan focused on long-term program planning rather than on rolling out ALP/E activities. As a result, ALP/E missed the opportunity to induce more Afghans not to plant opium poppy in the winter of 2005 by providing them with an immediate alternative source of income.

  Current Status

  As of the date of the audit report, these ALP/E activities were in place. The corrective action implemented is considered adequate and this finding has been resolved.

- Key Program Activities Not Fully Implemented

  Condition

  According to its ALP/E Region statement of work, DAI was required to develop activities to create or strengthen credit and financing institutions to serve all economic sectors. However, USAID/Afghanistan used a contract mechanism that impaired DAI from fully implementing such activities. Consequently, ALP/E did not deliver an anticipated $1.6 million in microfinance loans to small and medium businesses, intended to provide about 8,000 Afghans with alternatives to growing opium poppy. This especially impacted Afghan women, who wanted to pursue such alternative livelihoods as selling handicrafts, embroidery, and textile products.

  Current Status

  A revision to the statement of work was made within Task Order Modification #12. The corrective action implemented is considered adequate and this finding has been resolved.

DEVELOPMENT ALTERNATIVES, INC.

Financial Audit of Costs Incurred under
Task Order No. 306-M-00-05-00515-00

Detailed Results for Finding 2013-2

For the Period February 15, 2005 to June 30, 2009

Summary of Transactions Tested

There were a total of 113,862 transactions reimbursed by USAID during the period February 15, 2005 through June 30, 2009 totaling $115,521,247. Samples were selected based on the cost categories for testing of compliance with the procurement policies and regulations within the Task Order. A total of 593 transactions tested totaling $12,970,410 were tested.

DAI Expat GSA Labor Questioned Costs

Questioned costs related to DAI Expat GSA labor and applicable fringe and overhead:

Sample Number	Condition	Questioned Cost
2	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support	$181,964
8	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support	148,981
13	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support	195,697
22	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support	31,251
31	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support	112,618
37	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support	201,488
436	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support	2,518
1097	Missing timesheets	8,603
8845	Missing approval from supervisor for timesheet	976
	Total questioned costs related to DAI Expat GSA Labor and applicable fringe and overhead	$884,096

DAI CCN GSA Labor Questioned Costs

Questioned costs related to DAI CCN GSA labor and applicable fringe and overhead:

Sample Number	Condition	Questioned Cost
4083	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support.	$ 4,033

DEVELOPMENT ALTERNATIVES, INC.

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Detailed Results for Finding 2013-2

(Continued)

DAI CCN GSA Labor Questioned Costs (Continued)

Questioned costs related to DAI CCN GSA labor and applicable fringe and overhead (Continued):

Sample Number	Condition	Questioned Cost
6431	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support.	4,115
9584	DAI was unable to provide supporting documentation such as timesheets, payroll ledgers, and all other relevant support.	5,034
	Total questioned costs related to DAI CCN GSA Labor and applicable fringe and overhead	$13,182

Transportation and Allowances Questioned Costs

Questioned costs related to transportation and allowances:

Sample Number	Condition	Questioned Cost
7	No supporting documentation was provided	$13,578
67	No supporting documentation was provided	4,274
121	No supporting documentation was provided	3,480
353	No supporting documentation was provided	50
3840	No supporting documentation was provided	1,685
6099	The sample included one travel voucher that totaled $68, which is less than the amount that was billed to USAID of $149	149
7218	No supporting documentation was provided	1,300
9541	No supporting documentation was provided	240
13693	The sample included 2 travel vouchers that totaled $150; the results of our testing included one instance of a missing request for travel and one instance where the travel voucher was submitted after the three days timeframe as required by DAI's Finance Manual	150
14323	No supporting documentation was provided	222
28268	No supporting documentation was provided	228
Line 48	No supporting documentation was provided	73,495
Line 49	No supporting documentation was provided	48,678
Line 44	No supporting documentation was provided	1,110
	Total questioned costs related to Transportation and Allowances	$148,639

DEVELOPMENT ALTERNATIVES, INC.

Financial Audit of Costs Incurred under
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Detailed Results for Finding 2013-2

(Continued)

Other Direct Costs/G&A Questioned Costs

Questioned costs related to other direct costs/G&A:

Sample Number	Condition	Questioned Cost
31	No supporting documentation was provided	$ [redacted]
70	No supporting documentation was provided	[redacted]
185	No supporting documentation was provided	[redacted]
194	No supporting documentation was provided	[redacted]
242	No supporting documentation was provided	[redacted]
274	No approval documented on the Purchase Order	[redacted]
278	The sample included one invoice that totaled $267, which is less than the amount billed to USAID of $[redacted]; the results of our testing included the amount billed to USAID was not fully supported, missing Request For Payment Form, missing Goods Delivery Receipt, and missing payment support	[redacted]
302	No supporting documentation was provided	[redacted]
397	No approval documented on the Purchase Order	[redacted]
403	The sample included one invoice that totaled $2,446, which is more than the amount billed to USAID of $[redacted]; the results of our testing included missing Request For Payment Form and missing payment support	[redacted]
404	No approval documented on the Purchase Order	[redacted]
431	No supporting documentation was provided	[redacted]
471	The sample included two invoices that totaled $4,050, which is less than the amount billed to USAID of $[redacted]; the results of our testing included the amount billed to USAID was not fully supported, one instance of a missing vendor invoice, one instance where the invoice did not have the date listed, one instance where the invoice did not have any translation, and three instances where the quotes received did not have any translation	[redacted]
474	The sample included one invoice that totaled $3,519, which is more than the amount billed to USAID of $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor, payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
477	The sample included transportation for 203 individuals that totaled $6,404, and $[redacted] is included within this amount; The results of our testing included missing payment support	[redacted]
510	No Purchase Order was provided to show approval prior to purchase	[redacted]

DEVELOPMENT ALTERNATIVES, INC.

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Detailed Results for Finding 2013-2

(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
549	The sample did not include any invoices; the results of our testing included one instance of a missing invoice and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
592	The sample included two invoices that totaled $858, and the $[redacted] is included within this amount; the results of our testing included missing payment support, missing Purchase Request Form, and two instances where no third party invoice was obtained	[redacted]
630	The sample included only one invoice that totaled $145, which is less than the amount billed to USAID of $[redacted]; the results of our testing included the amount billed to USAID is not fully supported, missing Advance Liquidation Form, missing Purchase Request Form, and missing payment support	[redacted]
646	The sample did not include any invoices; the results of our testing included one instance of a missing invoice and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor, payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
683	The sample did not include any invoices; the results of our testing included one instance of a missing invoice, one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor, payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor, and three instances where the date of the quotes was before the Purchase Request Form date	[redacted]
741	No supporting documentation was provided	[redacted]
790	The sample included one invoice that totaled $2,172, which is more than the amount billed to USAID of $[redacted]; the results of our testing included missing Goods Delivery Receipt, missing payment support, the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual, and one instance where the invoice did not have a date listed	[redacted]

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Financial Audit of Costs Incurred under
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Detailed Results for Finding 2013-2

(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
873	No supporting documentation was provided	[redacted]
876	The sample did not include any invoices; the results of our testing included missing Advance Request Form, missing Goods Delivery Receipt, missing payment support, and one instance of a missing invoice	[redacted]
954	The sample included one invoice that totaled $899, which is more than the amount billed to USAID of $[redacted]; the results of our testing included missing Request For Payment form	[redacted]
1104	No supporting documentation was provided	[redacted]
1141	The sample included one invoice that totaled $[redacted]; the results of our testing included missing payment support and one instance where the invoice date was before the Purchase Request Form date	[redacted]
1307	The sample included one invoice that totaled $102,312, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing include one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor, payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
1346	The sample included one invoice that totaled $359,149, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included two instances where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor, payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
1348	The sample included one invoice that totaled $359,149, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included two instances where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor.	[redacted]
1356	No supporting documentation was provided	[redacted]

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Detailed Results for Finding 2013-2

(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
1362	The sample included two invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form and missing payment support	[redacted]
1384	The sample included one invoice that totaled $5,828, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
1417	The sample included five invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form and missing payment support	[redacted]
1450	The sample included one invoice that totaled $[redacted]; the results of our testing included missing payment support, one instance where the invoice did not have any translation, and one instance where the invoice did not have date listed	[redacted]
1482	The sample included one invoice that totaled $62,200, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
1488	The sample included two invoices that totaled $[redacted]; the results of our testing included missing Goods Delivery Receipt, missing payment support, two instances where invoice dates were before the Purchase Request Form, two instances where the invoices did not have unit price, two instances where the translation was not specific to the item purchased, two instances where the quantity purchased was not included on the invoice, and one instance where the Request For Payment Form date was before the Purchase Request Form date	[redacted]

DEVELOPMENT ALTERNATIVES, INC.

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Detailed Results for Finding 2013-2

(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
1502	The sample included two invoices that totaled $40,164, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor and two instances where the invoice date was before the purchase order date	[redacted]
1522	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form and missing payment support	[redacted]
1526	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Goods Delivery Receipt, one instance where no quotes were obtained, one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor, one instance where the invoice date was after the Request For Payment Form, one instance where the invoice date was after the check date, and fourteen instances where greenhouses purchased were not listed on the inventory listing	[redacted]
1535	The sample included one invoice that totaled $47,160, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
1569	The sample included five invoices that totaled $359, which is less than the amount billed to USAID of $[redacted]; the results of our testing included the amount billed to USAID was not fully supported, the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual, four instances where the items purchased does not match the items received on the Goods Delivery Receipt, and one instance where the item purchased was not listed on the Purchase Request Form	[redacted]

DEVELOPMENT ALTERNATIVES, INC.

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Detailed Results for Finding 2013-2

(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
1594	The sample included eighteen invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing payment support, item purchased in not listed on the Purchase Request Form, and two instances where the invoices did not have dates listed	[redacted]
1633	The sample included three invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing payment support, and two instances where the invoices did not have dates listed	[redacted]
1669	The sample included three invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing payment support, one instance where the item purchased in not listed on the Purchase Request Form, and one instance where the item purchased did not match the items received on the Goods Delivery Receipt	[redacted]
1712	No supporting documentation was provided	[redacted]
1728	The sample included three invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form and missing payment support, one instance where the invoice did not have the date listed, and one instance where an item purchased was not listed on the Purchase Request Form	[redacted]
1762	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form and missing payment support	[redacted]
1804	The sample included six invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing payment support, and six instances where there was no quantity listed on the Goods Delivery Receipt	[redacted]
1864	No Purchase Order was provided to show approval prior to purchase	[redacted]
1868	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Purchase Request Form, missing Goods Delivery Receipt, missing payment support, and three instances of missing quotes as required by DAI's policy	[redacted]
1902	The sample included two invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing payment support, and one instance where the invoice did not have date listed	[redacted]

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Detailed Results for Finding 2013-2

(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
1939	The sample included two invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing Purchase Request Form, missing Goods Delivery Receipt Form, missing payment support, and one instance where an item on the invoice did not mathematically recalculate	[redacted]
1982	The sample included two invoices that totaled $2,919, which is less than the amount billed to USAID of $[redacted]; the results of our testing included the amount billed to USAID was not fully supported, missing Request For Payment Form, missing payment support, and two instances where some items on the invoices were not translated	[redacted]
2021	No supporting documentation was provided	[redacted]
2023	The sample included four invoices that totaled $3,202, which is less than the amount billed to USAID of $[redacted]; the results of our testing included the amount billed to USAID was not fully supported, missing Request For Payment Form, two instances where some items on the invoices were not translated, one instance where the item purchased did not match the item received on the Goods Delivery Receipt, and one instance where the invoice did not have a date listed	[redacted]
2082	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form and one instance where the invoice did not have a date listed	[redacted]
2110	The sample included twenty-four invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, six instances where the invoice did not have a date listed, ten instances where no third party invoice was obtained, five instances where the invoice dates were before the Purchase Request Form, and one instance where the invoice was not translated	[redacted]
2153	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form	[redacted]
2196	No Purchase Order was provided to show approval prior to purchase	[redacted]
2225	No supporting documentation was provided	[redacted]
2246	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the invoice was not translated	[redacted]

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Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
2258	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance of missing quotes as required by DAI's policy, one instance where the invoice did not have date listed, and one instance where the invoice did not mathematically recalculate	[redacted]
2285	The sample included fourteen invoices that totaled $[redacted]; the results of our testing included the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual, four instances where the invoice dates were before the Goods Delivery Receipt date, one instance where the invoice did not mathematically recalculate, two instances of missing Purchase Request Forms, one instance where the number of items purchased did not match the number of items received on the Goods Delivery Receipt, and one instance where the individual who received the advance did not match payee on the check	[redacted]
2306	The sample included ten invoices that totaled $[redacted]; the results of our testing included a missing Purchase Request Form, one instance where an item on the invoice was not translated, two instances where items purchased did not match the items received on the Goods Delivery Receipt	[redacted]
2311	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Goods Delivery Receipt, one instance where the invoice date was after the Request For Payment date, and one instance where the invoice date was after the check date	[redacted]
2324	The sample included two invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form	[redacted]
2336	The sample included one invoice that totaled $[redacted]; the results of our testing included the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual and one instance where the Purchase Request Form was not listed on the Advance Request Form	[redacted]
2360	The sample included three invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form and one instance where the item purchased did not match the item received on the Goods Delivery Receipt	[redacted]

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(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
2378	The sample included two invoices that totaled $[redacted]; the results of our testing included two instances where the Purchase Request Forms were not listed on the Advance Request Form	[redacted]
2387	The sample included eighteen invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual, one instance where the invoice did not mathematically recalculate, three instances where the Purchase Request Forms were not listed on the Advance Request Form, one instance where the invoice was not translated, two instances where items purchased did not match the items received on the Goods Delivery Receipt, one instance where the item purchased was not included on the Goods Delivery Receipt, one instance where the invoice date was after the Goods Delivery Receipt date, one instance where the Purchase Request Form date was after the Goods Delivery Receipt date, and one instance where the invoice did not have the date listed	[redacted]
2404	No supporting documentation was provided	[redacted]
2412	The sample included one invoice that totaled $309,827, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
2413	The sample included one invoice that totaled $309,827, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor.	[redacted]

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(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
2424	The sample included one invoice that totaled $12,366, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
2428	The sample included two invoices that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor and two instances where the invoices did not have the dates listed	[redacted]
2482	The sample included one invoice that totaled $77,409, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing Goods Delivery Receipt, one instance where the invoice date was before the Purchase Request Form date, and one instance where the amount charge to this expenditure type was not fully supported	[redacted]
2552	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form	[redacted]
2562	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor and one instance where the invoice date was before the Purchase Request Form date	[redacted]
2658	The sample included two invoices that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
2768	The sample included seven invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing payment support, one instance where the Goods Delivery Receipt was not specific in the number of items received, one instance where the invoice did not have any translation, and one instance where no Contracting Officer approval was obtained	[redacted]
2851	The sample included one invoice that totaled $11,542, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
2892	The sample included one invoice that totaled $69,315, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
2915	The sample included one invoice that totaled $344,720, which is broken out into four different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
2919	The sample included one invoice that totaled $344,720, which is broken out into four different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
2929	The sample included one invoice that totaled $29,529, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the invoice was not translated, one instance where the invoice did not have the date listed, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
2936	The sample included one invoice that totaled $435,516, which is broken out into six different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the invoice date was before the Purchase Request Form, one instance where the invoice date was after the Goods Delivery Receipt, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
2938	The sample included one invoice that totaled $435,516, which is broken out into six different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the invoice date was before the Purchase Request Form, one instance where the invoice date was after the Goods Delivery Receipt, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor.	[redacted]
2955	The sample included one invoice that totaled $136,832, which is broken out into six different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3012	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to other direct costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
3052	The sample included one invoice that totaled $[redacted]; the results of our testing included missing required certifications, one instance where the invoice did not have the date listed, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3053	The sample included one invoice that totaled $[redacted]; the results of our testing included missing required certifications and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3054	The sample included one invoice that totaled $[redacted]; the results of our testing included missing required certifications and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3063	The sample included one invoice that totaled $[redacted]; the results of our testing included missing required certifications and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3079	The sample included one invoice that totaled $53,796, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor and one instance where the Goods Delivery Receipts did not have a date listed.	[redacted]
3093	The sample included one invoice that totaled $174,730, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing Contractor Officer approval, missing required certifications, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to Other Direct Costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
3117	The sample included one invoice that totaled $167,527, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing Contractor Officer approval, missing required certifications, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3124	The sample included one invoice that totaled $218,800, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3126	The sample included one invoice that totaled $218,800, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3140	The sample included one invoice that totaled $107,744, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3195	The sample included one invoice that totaled $1,554, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where no third party invoice was obtained and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3272	No supporting documentation was provided	[redacted]

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(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to Other Direct Costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
3656	The sample includes one employee; the results of our testing included an employee that was paid in excess of the monthly rate per Employment Agreement	[redacted]
3896	No supporting documentation was provided	[redacted]
4104	No supporting documentation was provided	[redacted]
5752	The sample included transportation costs for one individual that totaled $[redacted]; the results of our testing included one instance where the Rental Agreement was not complete	[redacted]
6896	No supporting documentation was provided.	[redacted]
7368	The sample includes one employee; the results of our testing included an employee that was paid in excess of the monthly rate per Employment Agreement	[redacted]
8049	No supporting documentation was provided	[redacted]
8817	No supporting documentation was provided	[redacted]
9331	No supporting documentation was provided	[redacted]
10686	The sample includes one employee; the results of our testing included missing timesheets	[redacted]
15844	No supporting documentation was provided	[redacted]
Line 10	The sample included one invoice that totaled $93, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included the amount billed to USAID was not fully supported and missing Advance Request Form	[redacted]
Line 10	The sample included one invoice that totaled $144,644, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included no Purchase Order was provided to show approval prior to purchase and the amount billed to USAID was not fully supported	[redacted]
Line 11	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form	[redacted]
Line 11	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the invoice date was before the Purchase Request Form	[redacted]
Line 12	The sample included two invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing Purchase Request Form, and two instances where the purpose of the training was not documented	[redacted]

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(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to Other Direct Costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
Line 12	The sample included two invoices that totaled $[redacted]; the results of our testing included one instance where the Request For Payment Form did not mathematically recalculate and payment support was missing	[redacted]
Line 13	The sample included one invoice that totaled $[redacted]; the results of our testing included the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual and one instance where the invoice did not have the dates listed	[redacted]
Line 13	The sample included thirty-four invoices that totaled $13,898, which is less than the amount billed to USAID of $[redacted]; the results of our testing included that the amount billed to USAID was not fully supported, the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual, five instances where no third party invoice was obtained, and four instances where the Purchase Request Form was not listed on the Advance Request Form	[redacted]
Line 14	The sample included fifteen invoices that totaled $[redacted]; the results of our testing included the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual, and four instances where the Purchase Request Form was not listed on the Advance Request Form	[redacted]
Line 15	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing Purchase Request Form, and one instance where the purpose of the training was not documented.	[redacted]
Line 17	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing Purchase Request Form, and one instance where the purpose of the training was not documented	[redacted]
Line 20	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form	[redacted]
Line 24	No supporting documentation was provided	[redacted]
Line 27	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form and the invoice did not have the date listed	[redacted]
Line 29	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form	[redacted]
Line 30	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form	[redacted]

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(Continued)

Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to Other Direct Costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
Line 31	The sample included one invoice that totaled $[redacted]; the results of our testing included the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual, the Purchase Request Form was not listed on the Advance Request Form, one instance where the individual who received the advance did not match payee on the check, and one instance where the invoice did not have a date listed	[redacted]
Line 33	The sample included one invoice that totaled $[redacted]; the results of our testing included no Purchase Order was provided to show approval prior to purchase	[redacted]
Line 34	No supporting documentation was provided	[redacted]
Line 39	No supporting documentation was provided	[redacted]
Line 4	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Purchase Request Form and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
Line 41	The sample included one invoice that totaled $[redacted]; the results of our testing included three instances of missing quotes as required by DAI's policy and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
Line 42	No supporting documentation was provided	[redacted]
Line 50	No supporting documentation was provided	[redacted]
Line 51	No supporting documentation was provided	[redacted]
Line 52	No supporting documentation was provided	[redacted]
Line 6	No supporting documentation was provided	[redacted]
Line 7	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
Line 8	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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Other Direct Costs/G&A Questioned Costs (Continued)

Questioned costs related to Other Direct Costs/G&A (Continued):

Sample Number	Condition	Questioned Cost
Line 9	The sample included one invoice that totaled $93, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included the amount billed to USAID was not fully supported and missing Advance Request Form	[redacted]
Line 9	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
	Total questioned costs related to other direct costs/G&A	[redacted]

Subcontracts Questioned Costs

Questioned costs related to Subcontracts:

Sample Number	Condition	Questioned Cost
76	The sample included one invoice that totaled $80,605, and the $[redacted] is included within this amount; the results of our testing included two instances of missing subcontractor timesheets	$ [redacted]
81	The sample included one invoice that totaled $86,968, and the $[redacted] is included within this amount; the results of our testing included two instances of missing subcontractor timesheets	[redacted]
85	The sample included one invoice that totaled $98,033, and the $[redacted] is included within this amount; the results of our testing included two instances of missing subcontractor timesheets.	[redacted]
89	The sample included one invoice that totaled $151,004, and the $[redacted] is included within this amount; the results of our testing included three instances of missing subcontractor timesheets	[redacted]
90	The sample included one invoice that totaled $403,288, and the $[redacted] is included within this amount; the results of our testing included one instance where post differential per subcontractor invoice did not agree to the timesheet and eight instances of missing receipts for items over $75 as required by subcontractor agreement	[redacted]

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Subcontracts Questioned Costs (Continued)

Questioned costs related to Subcontracts:

Sample Number	Condition	Questioned Cost
91	The sample included one invoice that totaled $204,090, and the $[redacted] is included within this amount; the results of our testing included four instances of missing receipts for items over $75 as required by subcontractor agreement, two instances of expense incurred in a period outside of the subcontractor invoice, and one instance where the per diem was not individually detailed as required by the subcontractor agreement	[redacted]
92	The sample included two invoices that totaled $559,916, and the $[redacted] is included within this amount; the results of our testing included missing subcontractor timesheets, missing receipts for items over $75 as required by subcontractor agreement, and the allowances were not individually detailed as required by the subcontractor agreement	[redacted]
93	The sample included two invoices that totaled $559,916, and the $[redacted] is included within this amount; the results of our testing included missing subcontractor timesheets	[redacted]
94	The sample included one invoice that totaled $206,647, and the $[redacted] is included within this amount; the results of our testing included missing subcontractor timesheets	[redacted]
	Total questioned costs related to subcontracts	$[redacted]

Implementation Funds Questioned Costs

Questioned costs related to implementation funds:

Sample Number	Condition	Questioned Cost
3	No supporting documentation was provided	$ [redacted]
4	The sample included one invoice that totaled $[redacted]; the results of our testing included missing required documents as stated within the ACC/LBCC Subcontract Section 8.4	[redacted]
17	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds:

Sample Number	Condition	Questioned Cost
18	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
20	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
96	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
418	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
534	No supporting documentation was provided	[redacted]
641	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and missing payment support	[redacted]
717	The sample included eighteen invoices that totaled $2,463, and the $[redacted] is included within this amount; the results of our testing included missing payment support and eighteen instances of a missing rental agreement	[redacted]
841	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
863	The sample included eight invoices that totaled $280, and the $[redacted] is included within this amount; the results of our testing included missing Request For Payment Form, five instances of a missing rental agreement	[redacted]

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(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
1015	The sample included one invoice that totaled $1,549, which is broken out into two different transactions within the General Ledger; the $[redacted] is included within this amount. The results of our testing included missing payment support.	[redacted]
1170	The sample included only one invoice that totaled $[redacted]; the results of our testing included one instance where the individual who received payment was not the same as the individual who signed the rental agreement and one instance where supporting documentation was not translated	[redacted]
1241	The sample included only one invoice that totaled $[redacted]; the results of our testing included one instance where the invoice was not translated	[redacted]
1265	The sample included one invoice that totaled $14,576, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
1283	No supporting documentation was provided	[redacted]
1399	The sample included seventeen invoices that totaled $[redacted]; the results of our testing included the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual	[redacted]
1533	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
1590	No supporting documentation was provided	[redacted]
1860	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and missing payment support	[redacted]
1936	The sample included twenty-three invoices that totaled $1,807, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing Request For Payment Form and twenty-three instances of missing Vehicle Agreement Forms	[redacted]

DEVELOPMENT ALTERNATIVES, INC.

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Detailed Results for Finding 2013-2

(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
2002	The sample included transportation for 60 individuals that totaled $83,700, and the $[redacted] is included within this amount; the results of our testing included twenty-three instances of missing Vehicle Agreement Forms	[redacted]
2167	The sample included one invoice that totaled $2,924, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
2217	The sample included only one invoice that totaled $[redacted]; the results of our testing included one instance where the individual who received payment was not the same as the individual who signed the rental agreement	[redacted]
2286	The sample included only one invoice that totaled $[redacted]; the results of our testing included missing Advance Request Form and missing supporting documentation for travel	[redacted]
2343	No supporting documentation was provided	[redacted]
2574	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
2643	The sample included thirty-four invoices that totaled $123,250, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing Request For Payment Form and thirty-four instances of missing Vehicle Agreement Forms	[redacted]
2772	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

DEVELOPMENT ALTERNATIVES, INC.

Financial Audit of Costs Incurred under
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Detailed Results for Finding 2013-2

(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
2892	The sample included only one invoice that totaled $[redacted]; the results of our testing included one instance where the Request For Payment Form date was before the Vehicle Payment Sheet date	[redacted]
2999	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the invoice did not have a date listed and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3181	The sample included two invoices that totaled $[redacted]; the results of our testing included two instances where the invoices did not have the dates listed and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3248	The sample included one invoice that totaled $10,079, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
3317	The sample included transportation for five individuals that totaled $[redacted]; the results of our testing included missing payment support	[redacted]
3389	The sample included transportation for twenty-two individuals that totaled $[redacted]; the results of our testing included missing payment support	[redacted]
3603	The sample included transportation for twenty-one individuals that totaled $2,847, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing payment support	[redacted]
3670	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the fingerprint of the vehicle owner per the Vehicle Payment Sheet did not match the Rental Agreement	[redacted]

DEVELOPMENT ALTERNATIVES, INC.

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Detailed Results for Finding 2013-2

(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
3692	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and missing payment support	[redacted]
4192	The sample included two invoices that totaled $[redacted]; the results of our testing included missing payment support	[redacted]
4337	The sample included one invoice that totaled $2,339, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing payment support	[redacted]
4414	The sample included only one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form	[redacted]
4512	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
4517	The sample included transportation costs for nine individuals that totaled $1,769, which is broken out into three different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing payment support	[redacted]
4694	The sample included one invoice that totaled $1,689, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing payment support	[redacted]
4753	The sample included transportation costs for two individuals that totaled $[redacted]; the results of our testing included two instances where the days traveled per the Vehicle Payment Sheet did not match the days traveled per the Travel Request Form	[redacted]
4904	The sample included two invoices that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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Detailed Results for Finding 2013-2

(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
5079	This sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
5285	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
5551	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
5806	No supporting documentation was provided	[redacted]
5864	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor and one instance where the invoice did not have the date listed	[redacted]
6120	No supporting documentation was provided	[redacted]
6284	No supporting documentation was provided	[redacted]
6485	No supporting documentation was provided	[redacted]
6635	No supporting documentation was provided	[redacted]
6748	No supporting documentation was provided	[redacted]
7285	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor and one instance where the invoice did not have the date listed	[redacted]
7597	The sample included one invoice that totaled $[redacted]; the results of our testing included missing voucher and missing payment support	[redacted]

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Detailed Results for Finding 2013-2

(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
7865	The sample included one invoice that totaled $5,939, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
8098	This sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor, one instance where the invoice did not have the date listed, and one instance where the invoice was not translated	[redacted]
8326	The sample included one invoice that totaled $[redacted]; the results of our testing included three instances of missing quotes as required by DAI's Finance Manual and the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual	[redacted]
8537	The sample included one invoice that totaled $14,428, which is broken out into two different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included missing payment support	[redacted]
8671	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
8976	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor and one instance where the invoice date was before the Goods Delivery Receipt date	[redacted]
9041	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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Detailed Results for Finding 2013-2

(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
9201	The sample included two invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing payment support, and two instances where the invoices did not have the dates listed	[redacted]
9456	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the invoice was not translated and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
9592	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor and one instance where the unit price was not listed on the invoice	[redacted]
9777	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Vehicle Payment Form	[redacted]
9920	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
10144	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
10284	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
10464	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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Detailed Results for Finding 2013-2

(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
10577	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
10585	The sample included 74 travel vouchers that totaled $3,448, which is broken out into four different transactions in the General Ledger, and the $[redacted] is within this amount; the results of our testing included one instance of a missing timesheet, twenty-six instances where the timesheets were not translated, twenty-two instances where no approval was obtained on the timesheets, four instances where the timesheets did not correlate to the days listed on the travel voucher, and three instances where the hours could not be substantiated due to illegible copies	[redacted]
10768	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the invoice was not translated, one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor, and one instance where the invoice did not have the date listed	[redacted]
10914	The sample included two invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing payment support, one instance where no third party invoice was obtained, and one instance where the invoice did not have the date listed	[redacted]
11057	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the invoice was not translated and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
11147	The sample did not include any invoices; the results of our testing included that the amount billed to USAID was not fully supported, missing invoice, and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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Detailed Results for Finding 2013-2

(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
11265	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
Line 14	The sample included two invoices that totaled $[redacted]; the results of our testing included two instances where no third party invoice was obtained	[redacted]
Line 16	The sample included one invoice that totaled $[redacted]; the results of our testing included the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual and missing Purchase Request Form	[redacted]
Line 18	The sample included only one invoice that totaled $[redacted]; the results of our testing included the advance was not liquidated within the 72 hour timeframe as required by DAI's Finance Manual and one instance where no third party invoice was obtained	[redacted]
Line 19	No supporting documentation was provided	[redacted]
Line 21	The sample included one invoice that totaled $[redacted]; the results of our testing included the advance was no liquidated within the 72 hour timeframe as required by DAI's Finance Manual and no third party invoice was obtained	[redacted]
Line 21	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where invoice was not translated and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
Line 22	The sample included one invoice that totaled $[redacted]; the results of our testing included the advance was no liquidated within the 72 hour timeframe as required by DAI's Finance Manual and no third party invoice was obtained	[redacted]
Line 22	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where invoice was not translated and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]

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Detailed Results for Finding 2013-2

(Continued)

Implementation Funds Questioned Costs (Continued)

Questioned costs related to implementation funds (Continued):

Sample Number	Condition	Questioned Cost
Line 23	The sample included one invoice that totaled $[redacted]; the results of our testing included the advance was no liquidated within the 72 hour timeframe as required by DAI's Finance Manual and no third party invoice was obtained	[redacted]
Line 23	The sample included one invoice that totaled $[redacted]; the results of our testing included missing proof of payment	[redacted]
Line 25	The sample included twelve invoices that totaled $[redacted]; the results of our testing included missing Request For Payment Form, missing Purchase Request Form, missing Goods Delivery Receipt Form, four instances where the purpose of the transaction was not clearly identified, and one instance where the item purchased was not classified within the appropriate expenditure type	[redacted]
Line 25	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
Line 26	No supporting documentation was provided	[redacted]
Line 27	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the invoice was not translated and one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
Line 28	The sample included one invoice that totaled $[redacted]; the results of our testing included missing Request For Payment Form	[redacted]
Line 32	The sample included one invoice that totaled $66,177, which is broken out into six different transactions within the General Ledger, and the $[redacted] is included within this amount; the results of our testing included no Purchase Order was provided to show approval prior to purchase	[redacted]
Line 35	The sample included one invoice that totaled $[redacted]; the results of our testing included one instance where the payment was not made in accordance with the terms and conditions of the invoice by the check being written to an individual and not a vendor	[redacted]
	Total questioned costs related to Implementation Funds	$[redacted]

APPENDIX C

DEVELOPMENT ALTERNATIVES, INC.

Financial Audit of Costs Incurred under
Task Order No. 306-M-00-05-00515-00

DAI Response to Findings

For the Period February 15, 2005 to June 30, 2009

Included on the following pages is DAI's response received to the findings identified in this report. In addition to the narrative response, DAI provided documentation that, in its opinion, supports its position on various findings. Due to the voluminous and proprietary nature of this documentation, it has not been included within this report. The documentation has been provided to SIGAR under separate cover.

2013-1: Identical Fingerprints and/or Signatures Identified on Cash-for-Work Programs and Temporary Consultant Costs

DAI Response:

DAI appreciates the opportunity to present our response to the draft audit findings that MHM has indicated were already approved by SIGAR without DAI input or comment. While we encourage and support efforts by SIGAR to identify waste, fraud and abuse in Afghanistan, we also strongly believe that any SIGAR audit be conducted in a fair and transparent manner according to Generally Accepted Government Auditing regulations and relevant legal standards. We firmly believe that these standards were not met in the audit. DAI feels strongly that materials provided as part of the audit fieldwork and information included in this report will show that DAI established and implemented compliant, effective and appropriate policies and procedures that demonstrate that USAID funds were used for intended purposes, that the goods and services were actually and appropriately procured at a reasonable cost in accordance with our contract with USAID and the questioning of DAI costs is not warranted.

In addition, DAI procedures and accounting practices have been reviewed, evaluated and confirmed by independent parties during multiple previous audits of this program, including the Regional Inspector General Audit, GAO oversight, IRD independent assessments and USAID reviews. In USAID's official Contractors Performance Report ("CPR") for this project, DAI earned a rating of 5 out of 5 on all areas of the program which is the highest score that can be awarded by USAID. The following is a direct quote from the CPR report:

> ***"The contractor financial management, accounting systems and cost controls are as they should be for the program devoid of issues, fully responsive, timely and accurate just what program management and USAID oversight requires guiding an innovative development initiative in an extremely dangerous and difficult working environment." (p4 of USAID CPR report)***

DAI also feels that the timeline for this audit did not adequately allow for the level of planned testing resulting in an inadequate basis for audit conclusions. Key examples include:

- As part of the audit, MHM requested supporting documentation for the final list of over 577 transactions plus multiple follow up requests 3 days before they were scheduled to begin their fieldwork. The size and timing of this request made it very difficult to retrieve relevant documentation from Afghanistan and our offsite storage and has been a significant strain on DAI resources. Due to the volume of material requested the audit plan did not allow for adequate time for auditor review and follow up.

- Because of the size of the sample and the short time frame provided for the audit it appears that significant amounts of relevant materials were not taken into consideration before issuing their report. DAI has numerous examples of supporting documentation provided that was not considered.

- At the exit conference on 4/4/13, MHM provided a preliminary list of remaining issues. Subsequent to the exit conference MHM continued to make new inquires and DAI provided additional materials that we understood would resolve all questions. We had no further communication from MHM advising us that our answers did not resolve open questions until we received the draft audit report approved by SIGAR on 6/11/13. This made it impossible for DAI to prepare a response in advance because we did not know that any findings remained until we received the report. This is why DAI feels strongly that the 7 day deadline for our response to a 70+ page audit report was not reasonable and if we had additional time to prepare it would allow us to provide a more through response.

Materials previously provided our response and attachments conclusively show that MHM's basis for questioning costs is not based on objective, Government Auditing Standards and are biased due to SIGAR inputs and approval of findings without the benefit of DAI's response.

Cash for Work Program ("CFW") - A key audit finding questions 100% of the Work for Hire costs in the amount of $15.9M.

- As part of the CFW program, the auditor asserts that identical fingerprints and/or signatures were identified and uses this as a basis to question 100% of the CFW costs. There is a preponderance of 3rd party evidence demonstrating that quantifiable and verifiable physical work was performed and completed and it is highly unlikely that all of these projects were performed by the same individual. In our response below DAI provides detailed explanations on legitimate situations that would explain why some signatures would be the same and that this is not an adequate basis for questioning the entire program.

- The auditor asserts that there was a lack of adherence to procurement procedures. The primary basis for this reflects that payments were issued to individuals and not vendors, that the invoices for materials and services are not translated or that the invoice is not dated. No consideration is made that the documentation provided reflects that the payee is either the proprietor of the company who has legal authority to receive the payment or delegate and that it is not unusual in Afghanistan for an owner to receive payment for his company. In addition the majority of DAI project staff are fluent in the local dialect and the ability to translate documentation as needed was never a challenge. Also no

consideration is made that relevant supporting documentation demonstrates reasonability, allowability and allocability of the costs as required by FAR.

- MHMs report indicates that the location for approximately 1/3 of the CFW projects could not be located on Google Maps even though each project code is indexed to a USG provided location code.

DAI provides the detailed responses to each of the auditor's reported findings below. A number of Attachments are included that demonstrate the adequacy and appropriateness of the billed costs. We look forward to further discussions related to the appropriateness of the ADP project costs.

Background of the Cash for Work Program:

The purpose of the Cash for Work Program was to engage members of the community in performing discrete, quantifiable and verifiable infrastructure works for the community. The selection of the infrastructure activities financed by the contract served to address the explicit needs identified by the District and Provincial Development Shuras, prioritized by the Provincial Development Committee and which aligned with USAID strategic priorities. The PDC was composed of the Governor's Office and the Directors of the principal line Ministries in the Province – RRD, Agriculture, Public Works, Irrigation, Women's Affairs, as well as the PRT, USAID and project representatives. The majority of this effort was performed in remote villages in wartime conditions.

Before initiating CFW activities, the project management team engaged the community through the Shuras, a designated project engineer and USAID with identifying the specific infrastructure projects to perform. The infrastructure works included laying cobblestones, gravel for drainage, roads, irrigation canal repair and other similar types of works. The Shuras identified members of the community who would benefit from doing such work and who had the required skills. Depending on the size of the infrastructure activity, the project designated one or two site engineers to oversee the activity on a daily basis. A supervisory engineer was also designated and was required to visit the site regularly and reported the progress to senior project management on a weekly basis. On a bi-weekly basis reports documenting the progress were submitted to USAID.

A key contractual requirement, reflected in the PMP, was the number of jobs created and the progress of each CFW activity. USAID initiated a number of independent evaluations where the overall conduct of the project was considered and USAID staff themselves visited a number of the CFW projects to evaluate progress and to confirm that local community laborers were engaged. The Afghan provincial, district and local officials and other U.S Officials were kept fully informed of CFW projects in their area and also provided continuing oversight and feedback.

Because most of the workers were illiterate and did not carry ID cards timesheets for work performed were signed with thumb prints.

DAI strongly disagrees with the auditor's questioning the full amount of the labor and consulting costs associated with the Cash for Work ("CFW") program for the following reasons:

1. **The ADP program included significant 3rd party oversight** - DAI further asserts that ADP's CFW program, overall management and processes were reviewed and witnessed independently by a number of external parties including:

   - **General Accounting Office** – GAO conducted a review of the Transport Sector Projects in Afghanistan and issued a report on October 31, 2007. This report includes a review of the CFW DAI activities and confirms that these were completed. Please refer to Attachment DAI-1.

   - **Regional Inspector General** - The RIG's Final Audit Report (2006) noted that USAID/Afghanistan staff conducted 56 monitoring visits to ALP/E sites from August 2005 to October 2006. The mission response noted an additional 17 documented site monitoring visits by USAID staff between Sept. 2006 and Feb. 2007.

   - **USAID**, including the Contracting Officer, Contracting Officers Representative and US Ambassador - USAID reported on DAI's Contractor Performance Report (CPR) scores of 5 of 5 the highest scores achievable and that:

     "the contractor succeeded in encouragement an ethic of accountability and responsiveness among local as well as expatriate, all contributed significantly to program sustainability of results and overall performance".

     Specifically for Cost Control, ***"financial management, accounting systems and cost control are as they should be program [sic] devoid of issues, responsive, and accurate just what the program management and USAID oversight requires***".

   IRD 3rd party Project reviews and assessment's – USAID contracted with IRD, an independent expert to review projects under the ADP program. Copies of their reports are included as Attachment DAI-2

   The results of such reviews and site visits all concluded that DAI' processes and procedures were adequate and compliant.
   The degree to which the entire transaction costs are questioned does not represent a balanced or appropriate approach given demonstrated achievement of deliverables.

     - Attachment DAI-1 shows the specific transactions and questions were raised
     - Attachment DAI-2 includes 3rd party evidence demonstrating the achievements of the CFW program.

2. **MHM does not have an adequate basis to Question 100% of the CFW costs** - Management strongly disagrees with the auditor's conclusion questioning the full amount of the CFW costs. There is no apparent argument offered by the auditor that the intended work and deliverables under CFW was not achieved, rather they place

complete reliance on a few sampled transactions in an attempt to discredit associated costs and DAI's processes by pointing to a discreet number of laborer fingerprints they claim to be identical. The auditor asserts that based on their review of a discreet number of fingerprints that all fingerprints in the program appear to be identical even though significant work was accomplished. This is an incorrect assumption and not all fingerprints are identical and as described below there are legitimate reasons why some fingerprints would be identical. Therefore management concludes that the recommendations are inappropriate as they are not factually based.

3. **DAI's Payment Process was compliant and included proper internal controls** - The process for payment distribution was as follows:

- Due to security conditions, DAI staff were not able to pre-schedule paydays.
- One of two DAI Site Engineers, who was responsible for overseeing daily operations initiated a payment request based on completed and certified attendance sheets.
- The request was submitted to DAI's designated Senior Engineer, who was responsible for providing oversight at the site on a regular basis.
- After a thorough review by the technical team, including the Senior Engineer, and after approval, the request was submitted to the COP for a final review.
- Once reviewed and approved, the request was submitted to DAI's Finance Department for processing.
- The Finance Staff prepared requests for payment based on this information. The CFW accountant was responsible for preparing the pay-sheets which identified the each individual laborer based on the certified attendance sheets.
- Once the requests for payment were prepared, approved and processed, DAI's Field Accountant was responsible for visiting the site to disburse payments to the laborers.
- These payments were always made in a public arena to foster the transparency of the process are were witnessed by the site engineer, team leader, laborers and community leaders.
- Given the above controls, we permitted either the Shura or the laborer's representative to accept payment on their behalf when the laborer himself was not present to collect his earned pay.

Because paydays were not announced in advance, there were instances when laborers could not be present to receive their pay for work performed. In these instances village elders would typically receive the payment on the laborers behalf.

We maintain that conducting the payment process in this public setting achieved effective collaboration and precluded individuals from accepting payments that were not earned or skimming from payments collected on behalf of their fellow community laborer.

As noted above, numerous visits to the various sites were conducted by external and independent parties. An additional level of oversight was provided by the project's M&E team that conducted unannounced site visits to conduct inspections as well. DAI Management also visited these sites periodically. In short, numerous opportunities were presented for anyone involved in the program to challenge the payments and/or the related process. DAI has never been made

aware of any instance where the intended payee did not receive their payment or that there was any form of collusion, kick-back, skimming or similar.

4. **The Number of Days Worked is Equal to the Number of Days Paid** – Per MHM "*Timesheets used for proof of payment did not match the number of days paid.*".

   - DAI reviewed the transactions in question and confirms that the number of days paid in fact agree with the number of days paid. Please refer to Attachment DAI-1.

5. **APD Programs location codes were based upon USG Map Coordinates** – Per MHM *"The location where the CFW program took place could not be identified. The total of these exceptions accounted for approximately 32% and 34% of the samples we tested"*

   - Each CFW activity was assigned a unique identification number which represents the Province, District and activity sequence number. For example, project number 081607 represents, 08 = Nangarhar Province, 16 = Goshta District and 07 = the 7th activity in this province and district. The province and district identification numbers were consistently used by the US Military, Afghanistan Government and the US Government. DAI is not aware of any other 3rd party monitors other than MHM indicating that a project could not be found. In addition it is unclear as to whether any of the MHM team ever performed any of their fieldwork inside Afghanistan.

   - DAI responded to the auditor's inquiry that could not locate a CFW location, Katalam, Afghanistan. We clarified that the auditor's search of Google-Earth had incorrectly identified this site as Kot Alam, Pakistan. Please refer to Attachment DAI-3.

The auditor further asserts that, "A lack of approval from the local Shura on the timesheets, receipt of payment forms that were not signed by two DAI employees, as required by DAI internal policies, to ensure adequate internal controls over safeguarding cash."

   - A review of the documents questioned during the audit field-work demonstrates that the Shura's fingerprint is reflected on all related payments.

7. **Costs related to Missing Advance Request and Liquidation forms were never billed to USAID** – MHM "*Missing Advance Request and Liquidation Forms which were required by DAI's policies.*"

   - DAI has explained to the auditor that advances issued are funded by DAI and related expenses are only billed after these have been submitted, reviewed and approved.

8. **DAI has conformed with 48 CFR principles** - Specifically:

- DAI has accounted for all costs appropriately, maintained records, including support documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract and comply with the cost principles with this subpart and applicable agency supplements.

- DAI has maintained all records and other evidence sufficient to reflect properly all costs claimed to have been incurred directly in performance of this contract

DAI would like to address the auditor's determination of the "Cause" of the noted finding; specifically, that DAI noted that this condition occurred "due to difficulties in performing adequate oversight in a hostile environment in Afghanistan...", DAI agrees that while the environment was and remains difficult, all reasonable and effective measures were taken to ensure compliance with the regulations and internal policies. Furthermore, if the security circumstances changed at a particular project location to the point that effective technical and financial oversight could not be maintained, the project was suspended until conditions changed, or in extreme cases the project was terminated,

DAI further objects to the auditor's conclusion reflected under "Effect". We confirm that accurate and reliable performance information was maintained and that related parties, USAID Management and stakeholders were updated and informed accurately and in significant details in a timely manner.

2013-2: Lack of Adherence to Procurement Procedures

1. *MHM asserts that DAI was unable to provide supporting documentation for Expat GSA labor, applicable fringe and overhead.*

   DAI Response:

   DAI strongly disagrees with the auditor's conclusion that DAI did not adhere to established procurement procedures for the following reasons:

   DAI agrees that some of the original information requested for Expat labor which was recorded in our prior Deltek accounting system was not provided. This error on our part resulted in part from receiving numerous sporadic audit requests during the audit field work and because the related period in 2005 corresponded to DAI's conversation from Deltek to the current Oracle accounting system in 2005.

   The requested Expat labor details are included in Attachment DAI-4. DAI is willing to provide any additional documents upon request.

2. *MHM draft report indicates that DAI was unable to provide supporting documentation for CCN labor and applicable fringe and overhead in the amount of $ 13,182.*

   DAI Response:

   The relevant documents are stored in Afghanistan and DAI is working with former employees in Afghanistan to identify and retrieve these documents from over 5 years ago.

3. *MHM identified that costs related to transportation and allowances are not adequately supported in the amount of $148,639.*

   DAI Response:

   DAI believes the relevant documents are stored in Afghanistan and is working with former staff in Afghanistan to identify and retrieve these documents from over 5 years ago.

4. *MHM asserts that ODC costs claimed by DAI in the amount of $3.8M have numerous exceptions.*

   DAI Response:

   Payee is an Individual not a Vendor - DAI maintains that it is acceptable for individuals to receive payments as either owners or as the designated

representative of the company that submitted the invoice. Specifically MHM questioned 23 transactions in the amount of $1,247,999 solely on this basis.

DAI has reviewed the larger questioned items and believes that evidentiary documentation supports the costs that were claimed. DAI determined that for these 23 transactions there are no instances where payment terms or conditions conflicted with information included in the invoice or other supporting documentation and there are no restrictions, legal or regulatory, from issuing payment to the owner of a company or his designee. Further, our review of these transactions confirmed that most of the individuals who were paid have their names and/or signatures reflected in the purchase documents. DAI further confirms that this is a common practice in Afghanistan given the legal restrictions around a company's ability to open a business bank account. As a result many companies use personal accounts. Please refer to Attachment DAI-5.

MHM questions 4 transactions with a total value of $906,641, where required certification for fertilizer is missing and that payment was issued to an individual and not a vendor. DAI re-confirms that the required supporting documentation was provided to MHM during the field work and appears that the auditor has failed to consider this information. **This is one of many instances where DAI produced large volumes of information in response to excessive data requests, and the auditor did not incorporate the information provided to resolve the questioned costs in their report. Please refer to Attachment DAI-6 for the supporting information that was previously provided to the auditor for these 4 transactions.**

There are 4 additional instances, with an approximate value of $527k where the auditor expresses concern related to the dates on the invoice or other documents, and where payments are issued to individuals. DAI asserts that relevant and fully executed documentation supports the transactions in question. These documents include a fully executed Purchase Order, Purchase Request Form, Goods Receipt Form and Transaction Voucher.

It is important to note that MHM does not question these costs on the basis of a lack of appropriate documentation or evidence but concludes that all of the related costs are questionable because the payment was made to an individual and not in the name of the business.

DAI asserts that this is an unreasonable and unjustified conclusion. DAI affirms that the related transactions are allowable, reasonable, allocable and fully documented and that these costs were incurred to achieve the required deliverables.

5. *As a justification for questioning costs, MHM has cited the fact that certain locally generated invoices were not translated.*

DAI Response:

It is unclear from the draft report exactly how much was questioned on this basis. DAI asserts that this is not a requirement of the project and in fact USAID officials encouraged contracts to work in the local languages to further promote one of their key goals of capacity building. In addition, most members of DAI's financial management team, which was assigned responsibility for review of all documentation, including local receipts, were bilingual so proper review and scrutiny of these invoices was not an issue. Further, local receipts are not documents prepared by the contractor, nor are these receipts communicated to the parties under this contract. All transactions were thoroughly reviewed by a number of authorized staff, including Finance, Procurement and Administration.

6. *MHM has questioned subcontractor costs claiming that these costs were not supported by timesheets.*

DAI Response:

DAI maintains that timesheets were in fact attached for 6 of the 9 samples reviewed by the auditor. Please refer to Attachment DAI-7. The remaining 3 samples relate to subcontractors' corrected invoices. DAI is retrieving the original invoices submitted by the subcontractor, HMM, to which the timesheets are attached and will submit these separately.

7. *MHM asserts that Implementation Fund costs claimed by DAI have numerous exceptions which include that payment was issued to an individual and not a vendor, that local invoices are not translated, that some invoices are not dated, that advances to staff are not liquidated within the time prescribed in DAI's policy, that the costs are not fully supported.*

DAI Response:

This finding is drafted in very general terms and it is very difficult for DAI to respond in a specific case by case manner.

DAI reviewed the questioned samples and identified a total of 98 of these sampled transactions totaling $[redacted] Of these 27 samples totaling $796k are related to:

- Payments to an individual and not a vendor
- A date not being reflected on the local invoice,
- Invoice not translated
- Unit cost not reflected on the invoice.

DAI reiterates our objection to questioning costs on these grounds. As stipulated earlier, many companies operate legally in Afghanistan using a personal bank account. There are no restrictions or regulations precluding payment to the owner, director or a designated individual. In the review of these samples, we confirm that a significant number of payments that were issued to an individual, the name of the individual correlates with the name reflected on the Purchase Order, related Joint Venture Agreements, and/or other corporate documents. Please refer to Attachment DAI-8.

Secondly, we reassert that there are no requirements requiring DAI to translate local invoices. Reflecting a date on an invoice is not within DAI's control and is mitigated by other documents that are reviewed as part of the process prior to payment.

Unit costs can be readily discerned and so questioning the cost on this premise does not appear to be relevant.

The auditor challenges 7 samples totaling $5k because an advance issued to an employee was not liquidated within a 72 hour time-frame established in the policy. As explained earlier, advances issued to employees are not billed to USAID until adequate documents are submitted, reviewed and approved. No inference is made by the auditor that the expense billed to USAID is inadequately supported.

The auditor does not challenge the validity of the documentation supporting these transactions, or as required by FAR for reasonableness, allowability or allocability of the related costs. Rather they challenge the total cost because an individual was paid, a date on an invoice is missing, the invoice isn't translated or because the unit cost is not reflected. We find that the standards applied by the auditor appear to exceed standards applied in the US. The fact of the matter is that the costs were incurred for the purpose of achieving contracted deliverables and the costs are adequately documented.

2013-3: Inadequate Time Reporting Policy Resulting in Estimating Employee's Days Worked

The auditor states that the necessary adjustments were never made to reflect the actual time worked, if different. A reconciliation to adjust the estimated hours to actual was not provided.

DAI Response:

DAI acknowledges that the finance policy required all local staff timesheets to be submitted 3 working days preceding the last working day of the month. Our personnel policy reflected that timesheets were due at the end of the pay-period.

DAI has explained that this requirement was caused by the need for finance staff to review and prepare related calculations, which included:

- Verification of employment terms,
- Pay-rates,
- Tax withholding

An example was provided demonstrating that the related payment date occurred either on the last day of the pay-period or early in the following month. As such, any/all required changes from the initial time-recording as relates to the last 3 days of the month were identified and adjusted accordingly. Any related changes were subsequently reviewed and adjustments for use of sick leave, annual leave or holiday leave were reflected on the employee's leave tracking records.

All local national staff time-charges, including sick leave, annual leave and similar, were billed directly to the contract and not to a separate fringe account. As such, any/all required adjustments would have had NO impact to the billing under the contract. As noted above, such changes were reviewed to ensure that use of leave was reflected against the employee's available balance.

We therefore maintain that this process was appropriate and had no effect on billed costs.

DAI's Internal Audit Department recognized that this finance approach created an onerous review process and has worked with projects over the last few years to ensure that timesheets are submitted only after actual hours worked are recorded.

2013-4: Lack of Adequate Monitoring of Subcontractor

The auditor asserts that DAI did not have an adequate monitoring process for program costs incurred and claimed by BearingPoint, one of its subcontractors.

DAI Response:

In 2005 DAI and BearingPoint entered into what is known as a Contractual Teaming Arrangement under the MOBIS/GSA, the vehicle under which the ALP contract was implemented. In order to enter into such an arrangement, each teaming partner had to hold a valid GSA Schedule (in this case MOBIS). The arrangement allowed each party to offer the rates on the other's schedule. In theory, this allowed each party to maintain confidentiality of contract with the Government. Under this arrangement each party billed USAID separately. BearingPoint submitted invoices directly to USAID.

After considerable effort to make this payment arrangement work through USAID's Phoenix financial system, contract modification 10 directed DAI to submit a single invoice for both parties. In all instances where BearingPoint invoices were submitted through DAI, the related documentation was provided by BearingPoint in a sealed envelope and forwarded as part of DAI's invoice submission. DAI was precluded an opportunity to review BearingPoint's detailed documentation..

BearingPoint's invoices were submitted in a manner consistent with AIDAR clause 752.7003, entitled "Documentation for Payment." We note that the criteria referenced in the report, specifically 22 CFR 226, entitled "Administration of Assistance Awards to U.S. Non-Governmental Organizations, and ADS 540 entitled "USAID Development Experience Information," do not apply to contracts and contractors. Regulation 22 CFR 226 is USAID implementation of OMB Circular A-110 which only applies to grants and cooperative agreements. The Automated Directive System (ADS) contains USAID's internal policies, which do not extend to contractors or recipients unless incorporated into the terms of the contract or award.

Accordingly, the AIDAR clause, which is required in all USAID direct contracts, excluding fixed price contracts, requires the submission of an SF 1034 – Public Voucher for Purchases and Services Other Than Personal. The form provides space to report line items for services provided. The invoice must also include a certification, signed by an authorized representative of the firm, as follows:

> The undersigned hereby certifies to the best of my knowledge and belief that the fiscal report and any attachments have been prepared from the books and records of the Contractor in accordance with the terms of this contract and are correct: the sum claimed under this contract is proper and due, and all the costs of contract performance (except as herewith reported in writing) have been paid, or to the extent allowed under the applicable payment clause, will be paid currently by the Contractor when due in the ordinary course of business; the work reflected by these costs has been performed, and the quantities and amounts involved are consistent with the requirements of this Contract; all required Contracting Officer approvals have been obtained; and appropriate refund to USAID will be made promptly upon request in the event of disallowance of costs not reimbursable under the terms of this contract.

Each invoice submitted by BearingPoint complied with these requirements. DAI then conveyed the invoices to USAID with a statement that the work was performed. Management therefore asserts that it is inappropriate to hold DAI responsible for related supporting documentation and so challenges the auditor's recommendation to reimburse the questioned costs reported.

2013-5: Maintenance of Original Supporting

DAI Response:

The auditor opines that original records and supporting documentation are required and applies Critera 22 CFR 226.53, Retention and access requirement for records is applicable: Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual report as authorized by USAID.

DAI agrees that the records, supporting documentation and related records pertinent to the contract need to be maintained and asserts that such documents have been retained for this contract and provided to the auditor. We further assert that DAI maintains all required records as required by FAR 4.703, Policy on Contractor Record Retention applicable to contracts.

The 22 CFR 226 assistance award provision referenced by the auditor:

- Is not applicable to this contract. 22 CFR Is applicable to assistance awards.
- There is no requirement in either FAR 4.703 or 22 CFR 226 for the contractor or grantee, respectively, to keep original documents as noted by the auditor.

FAR Subpart 4.703, Policy on Contractor Records Retention

(a) Except as stated in 4.703(b), contractors shall make available records, which includes books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form, and other supporting evidence to satisfy contract negotiation, administration, and audit requirements of the contracting agencies and the Comptroller General,

(c) Nothing in this section shall be construed to preclude a contractor from duplicating or storing original records in electronic form unless they contain significant information not shown on the record copy. Original records need not be maintained or produced in an audit if the contractor or subcontractor provides photographic or electronic images of the original records and meets the following requirements:

1. The contractor or subcontractor has established procedures to ensure that the imaging process preserves accurate images of the original records, including signatures and other written or graphic images, and that the imaging process is reliable and secure so as to maintain the integrity of the records.

2. The contractor or subcontractor maintains an effective indexing system to permit timely and convenient access to the imaged records.
3. The contractor or subcontractor retains the original records for a minimum of one year after imaging to permit periodic validation of the imaging systems.

DAI concludes that we complied with the required principles as the documentation and records are maintained and were provided and so believes no further action is required.

APPENDIX D

DEVELOPMENT ALTERNATIVES, INC.

Financial Audit of Costs Incurred under
Task Order No. 306-M-00-05-00515-00

Auditor's Rebuttal to DAI Response to Findings

For the Period February 15, 2005 to June 30, 2009

DAI disagreed to each of the 5 findings presented in this report. We have reviewed their management response and offer the following rebuttal for each finding.

2013-1: Identical Fingerprints and/or Signatures Identified on Cash-for-Work Programs and Temporary Consultants Costs

In general, DAI disagreed with the finding as it believed that the majority of the documentation provided during the audit had properly supported the costs incurred and that a reasonable timeframe for DAI to provide all the supporting documentation tested was not allowed. However, our recommendation remains unchanged for the following reasons:

(1) MHM requested a crosswalk between the General Ledger detail and the Fund Accountability Statement. Based upon DAI's response, the general ledger detail was never maintained and was not available for the planning of this audit. Therefore, instead of assessing risk on the nine cost categories, risk was assessed on 149 accounts within its Oracle system, and 78 accounts within its prior Deltek system. Although there were only 3 business days to pull the transactions, we did extend the timeframe of fieldwork to allow additional time to pull the requested sampled transactions. After multiple extensions provided, the final date to provide all information, including supporting documentation originally requested was March 29, 2013. As such, DAI had in excess of nine weeks to provide all of the information requested. Any and all information and documentation provided prior to this date was reviewed and tested for inclusion within our report.

(2) Two days prior to the cutoff date for providing supporting documentation, DAI provided 28 documents from the original request list. We audited these items and asked subsequent questions related to the documentation provided. The only other 2 items inquired from DAI were regarding the indirect cost rate and the timesheets related to Finding 2013-2. These inquiries were for further clarification to the findings in the report. No other inquiries were made. In addition, an exceptions list was provided to DAI at least every two to three days throughout fieldwork. Furthermore, a comprehensive list of exceptions was provided during the preliminary exit meeting on March 1, 2013. Another comprehensive list in a summarized format that corresponds to the findings was provided for the formal exit conference on April 4, 2013. DAI also provided a preliminary response to all exceptions noted during our testing prior to the exit conference. DAI had an adequate amount of time to provide a response to the finding.

(3) Although documentation was provided to show that the CFW projects were performed, the similarities within the fingerprints and the signatures question the validity as to whether cash was actually paid to individuals who performed the work under the CFW

projects. The weak internal controls and the high instances of identical fingerprints and/or signatures raise substantial doubt as to whether the costs actually incurred for the CFW projects.

(4) This finding does not address payments made to vendors nor does it address the translation of invoices to English. This finding only relates to the labor performed for the CFW program. As such, these payments were not made to vendors, but were made to day laborers in cash. However, we did identify various exceptions relating to the lack of adherence to DAI's procurement policy that were not addressed by DAI.

(5) We modified the condition of the finding to correctly reflect that the individuals who were paid by the CFW program did not have a home village identified. As such, it was not possible to verify that the funding provided benefit to the appropriate targeted area.

(6) All reports relevant to this audit were requested at the beginning of the audit. However, DAI did not provide any reports from GAO, RIG, USAID or IRD for our review.
   a. The GAO report only identifies the progress of the CFW project and does not identify anything relating to the day laborers.
   b. The USAID and RIG reports were not subsequently provided to allow us to determine the usefulness of these reports.
   c. The IRD report is a programmatic report that reviews the progress of the CFW project and identifies deficiencies in the technicalities of the project, such as spacing of rebar or the need for a retaining wall. It does not review the controls in place or review the process of payment to the day laborers.

(7) This finding does not address that the CFW program did not accomplish the projects tasked. This finding only questioned those costs related to the labor paid and does not question any materials purchased relating to the CFW program. However, based upon the testing performed, almost every CFW transaction tested had some duplicate fingerprints and/or signatures included within the supporting documentation. Based upon this rate of discrepancy, no reliance could be placed upon the system to ensure that the individuals that performed the work received payment.

(8) Most of the internal controls provided by DAI in its response relate to the controls within the field office. This includes the review of the certified timesheets, the preparation of the advance cash payment and review of the advance. The risk associated with the CFW program relates to the physical payments to the day laborers and not the controls in the field office. Although the payments were made in a public arena, there are no controls in place to ensure that the individuals paid, if any, actually performed work and were paid the full amount to which they were entitled. Allowing acceptance of payments by the Shura or the laborer's representative is not an acceptable control covering payments in cash. In addition, there should be

documentation that the Shura or an allowable representative of the laborer was allowed to accept payment on behalf of the laborer. This was not the case based upon the supporting documentation reviewed.

(9) We reviewed the subsequent information provided by DAI in its response to the finding and noted that they do not address specifically the laborers whose timesheets do not match the days paid. We do not assert that all of the days paid are inaccurate. However, this was an exception found in multiple samples. DAI did not address the laborers whose paid days were incorrect. When performing fieldwork, DAI only verbally agreed that the timesheets were calculated incorrectly but did not address why timesheets did not tie to the days paid.

(10) We reviewed the exceptions where it was identified that the Shura did not approve the timesheet and confirmed that there was no approval by the Shura in either a fingerprint or a signature.

(11) Out of the 38 transactions reviewed, 18 did not have an Advance Request Form and/or an Advance Liquidation Form prepared. These forms are required by DAI's policies. There is no evidence to identify that these costs were never billed to USAID. The lack of these forms being included within the supporting documentation demonstrates that DAI was not following its internal policy.

(12) DAI did not provide all of the documents requested. The duplicate fingerprints and signatures do not support that the costs were incurred.

2013-2: Lack of Adherence to Procurement Procedures

In general, DAI disagreed with the finding as it believed that it did adhere to its procurement procedures. However, our recommendation remains unchanged for the following reasons:

(1) While DAI disagreed with the finding on lack of adherence to procurement procedures, it did not explain why. Our testing noted a large number of exceptions where there were missing documents and/or specific procurement procedures not being followed. This clearly demonstrates that DAI did not consistently follow its procurement policies.

(2) If an individual is to receive payment instead of the vendor, then documentation should exist that the USAID Contracting Officer agreed to this alternate payment process. No documentation was provided to indicate payment was to be made to an individual.

(3) The agreement between the vendor and DAI requires three different certifications: (a) Certificate of inspection; (b) Certificate of Weight; and (3) Supplier's Certificate of the

product and of the bagging which states "The undersigned certifies that the products invoiced herein and their bagging conform to AID-approved specifications and to the specifications of the purchaser". Our review of the supporting documentation and of the documentation subsequently provided by DAI in response to the findings does not contain the Suppliers Certificate with the required statement.

(4) The supporting documentation did include multiple forms required within DAI's policies. However, within DAI's policies is a flowchart showing the flow of documents beginning with the Purchase Order or invoice and ending with the payment. The conflicting dates of the invoices and other documents demonstrate that DAI did not follow its internal procurement procedures.

(5) DAI employs both Afghans and Expat labor within the field office. The Chief of Party (COP) is responsible for reviewing all procurements. No evidence was provided indicating that the COP is bilingual. In addition, the home office should perform a periodic review of the items requested for reimbursement from USAID. There was no evidence to indicate that home office employees are bilingual. Additionally, given the expenses are Federally funded, it is highly likely that third party review will be performed. As such, a translation of the invoices to English is important in order to eliminate costs being questioned.

(6) The review of the supporting documentation and the documentation subsequently provided by DAI in response to the findings does have timesheets attached to the subcontractor invoice. However, the timesheets for the subcontractor's employees selected for testing include timesheets that are not within the billing period for the invoice (e.g., the timesheet is for the week ending February 23, 2007, but the billing period for the invoice starts on February 24, 2007 and ends on March 23, 2007.)

(7) The review of the invoice does not identify any documentation that would allow the unit cost to be discernible. This does not allow a sufficient review of the Goods Receipt Form when comparing to the invoice.

(8) Liquidation of an advance within 72 hours from when the advance was given is an internal policy set by DAI. The number of exceptions related to this issue demonstrates that DAI did not follow its internal procurement procedures.

2013-3: Inadequate Time Reporting Policy Resulting in Estimating Employee's Days Worked

DAI did not provide any proof of adjustments to the estimated time in the employee's sample tested during fieldwork. The example of adjustment provided only shows a leave request form

dated April 23, 2008, which is prior to the date when timesheets are due. However, there is no documentation of a correction of time previously entered as regular time. As such, there is no documentation demonstrating that this is a correction of time previously entered incorrectly. Our recommendation remains unchanged.

2013-4: Lack of Adequate Monitoring of Subcontractor

In general, DAI disagreed with the finding as it believed it was not responsible for its subcontractor's invoices. However, our recommendation remains unchanged for the following reasons:

(1) USAID provided funding to DAI through a Task Order. DAI is responsible for all costs incurred under this Task Order. DAI made the choice to enter into the Contractual Teaming Arrangement and should ensure that these costs are allowable and valid as with any other vendor or subcontractor.

(2) As described within the criteria section of this finding, 22 CFR 226 is part of the requirements listed within the Task Order under section A.21 "Applicable Clauses". Therefore, all of its requirements are applicable to DAI and this Task Order.

(3) Section (d) of AIDAR 752.7003 states, in part: "…made available as part of the Contractor's records which are required to be presented and made available by the clause of this contract entitled 'Audit and Records – Negotiation'." BearingPoint's records were not made available to us for audit.

2013-5: Maintenance of Original Supporting Documentation

In general, DAI disagreed with the finding as it believed that documentation was retained as required. However, our recommendation remains unchanged for the following reasons:

(1) 22 CFR 226 is referenced within ADS Chapter 540, which is explicitly listed within A.27 "Submission Requirements for Development Experience Documents" within the Task Order between DAI and USAID. This CFR reference is applicable.

(2) As stated within the criteria section of this finding, 22 CFR 226(c) states "Copies of original records may be substituted for the original records if authorized by USAID." There was no documentation or communication provided that demonstrated USAID's approval of substitution of original records.

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