

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 18-05 Financial Audit

Department of Defense Task Force for Business and Stability Operations' Afghanistan Indigenous Industries Program: Audit of Costs Incurred by DAI Global LLC

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



OCTOBER
2017

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On May 7, 2014, the Department of Interior's Interior Business Center awarded a \$2,111,345 task order to Development Alternatives Inc., now DAI Global LLC (DAI), on behalf of the Department of Defense's Task Force for Business and Stability Operations (TFBSO). The task order was intended to support TFBSO's Afghanistan Indigenous Industries program, which was designed to link indigenous industries to international markets to support the growth of the licit economy in Afghanistan. This task order required that the contractor provide a weaving trainer to teach Afghan rug makers to produce rugs using the "Nepalese weave." After two modifications, the task order's ceiling increased to \$2,266,320, but the 6-month period of performance that ended on November 6, 2014, did not change.

SIGAR's financial audit, performed by Williams Adley & Company-DC LLP (Williams Adley), reviewed \$902,556 in expenditures charged to the task order from May 7, 2014, through November 6, 2014. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in DAI's internal controls related to the cooperative agreement; (2) identify and report on instances of material noncompliance with the terms of the cooperative agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether DAI has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of DAI's Special Purpose Financial Statement (SPFS). See Williams Adley's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, SIGAR is required by auditing standards to review the audit work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances where Williams Adley did not comply, in all material respects, with U.S. generally accepted government auditing standards.

October 2017

Department of Defense Task Force for Business and Stability Operations' Afghanistan Indigenous Industries Program: Audit of Costs Incurred by DAI Global LLC

SIGAR 18-05-FA

WHAT THE AUDIT FOUND

Williams Adley did not identify any material weaknesses or significant deficiencies in DAI's internal controls, or any instances of noncompliance with the terms and conditions of the task order. Accordingly, Williams Adley did not identify any questioned costs, which could have consisted of unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—and ineligible costs—costs prohibited by the task order, applicable laws, or regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Cost Incurred	\$0	\$0	\$0
Totals	\$0	\$0	\$0

Williams Adley identified four findings and recommendations from one prior audit that were pertinent to DAI's performance under the task order, and determined that DAI had taken adequate corrective action on all four.

Williams Adley issued an unmodified opinion on DAI's SPFS, noting that it presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and items and technical assistance directly procured for TFBSO for the period under audit.

WHAT SIGAR RECOMMENDS

Williams Adley did not report any findings related to the Afghanistan Indigenous Industries program. Therefore, SIGAR is not making any recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

October 20, 2017

The Honorable Jim Mattis
Secretary of Defense

General Joseph L. Votel
Commander, U.S. Central Command

General John W. Nicholson, Jr.
Commander, U.S. Forces–Afghanistan and
Commander, Resolute Support

We contracted with Williams, Adley & Company–DC LLP (Williams Adley) to audit the costs incurred by DAI Global LLC (DAI) under a task order for Department of Defense’s Task Force for Business and Stability Operations (TFBSO) to support the Afghanistan Indigenous Industries program.¹ Williams Adley’s audit covered \$902,556 in expenditures charged to the task order from May 7, 2014, through November 6, 2014. Our contract with Williams Adley required that the audit be performed in accordance with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Williams Adley did not report any findings related to the Afghanistan Indigenous Industries program. Therefore, SIGAR is not making any recommendations.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-108)

¹ The Department of Interior awarded task order D14PD00567 to DAI to implement TFBSO’s Afghanistan Indigenous Industries program. The program was designed to link indigenous industries to international markets to support the growth of the licit economy in Afghanistan. This task order required that the contractor provide a weaving trainer to teach a minimum of three Afghan producers to make rugs using the “Nepalese weave” and provide suggestions for additional weaving opportunities.

**OFFICE OF THE
SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION**

Financial Audit of Costs Incurred

by

DAI Global, LLC

Under

Task Order D14PD00567

For the Period

May 7, 2014 to November 6, 2014

Submitted by



September 29, 2017

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Transmittal Letter

September 29, 2017

Michael Jakobowski
Chief Financial Officer
DAI Global, LLC (DAI)
Bethesda, MD

Special Inspector General for Afghanistan Reconstruction (SIGAR)
Arlington, VA

Williams, Adley and Company-DC, LLP (referred to as "Williams Adley" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of the DAI task order number D14DP00567 with the Department of the Interior, made on behalf of the Task Force for Business and Stability Operations in Afghanistan.

On August 31, 2017, we provided SIGAR a draft report reflecting our audit procedures and results. DAI received a copy of the report on September 26, 2017 and was provided the opportunity to issue an official response subsequent thereto. DAI declined to provide a management response as there were no findings in the report and the opinion was unqualified. In the formation of the final report, we considered the written and oral feedback provided by SIGAR.

Thank you for providing us the opportunity to work with you and to conduct the audit of this DAI contract task order.

Sincerely,

A handwritten signature in black ink that reads 'Jocelyn Hill'.

Jocelyn Hill CPA
Partner

WILLIAMS, ADLEY & COMPANY-DC, LLP

Certified Public Accountants / Management Consultants

1030 15th Street, N.W., Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161

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Summary

Background

Congress created the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to provide independent and objective oversight of Afghanistan reconstruction projects and activities. Under the authority of Section 1229 of the National Defense Authorization Act for Fiscal Year 2008 (P.L. 110-181), SIGAR conducts audits and investigations to: 1) promote efficiency and effectiveness of reconstruction programs and 2) detect and prevent waste, fraud, and abuse. Thus, the United States Department of Defense (DoD) funded activities in Afghanistan fall under the purview of SIGAR in fulfilling its mandate.

TFBSO's overarching goal is to link indigenous industries to international markets in order to support the growth of the licit economy in Afghanistan, as such, this task order required that the contractor provide a weaving trainer in order to train the Nepalese weaver to a minimum of 3 Afghan producers and to provide suggestions for additional weaving opportunities. Under the task order, the contractor will train Afghans to perform basic bookkeeping and accounting functions and also establish an electronic and physical record keeping system, banking methods, invoicing system and provide quality control. The contractor will provide a Textile Machine Technician who has 25 years' experience in weaving, spinning and wet finishing machine repair to assist in establishing an electronic and physical filing system for cotton and wool machinery. Additionally, the task order was to provide various professional services to the "Mineral Tender Team," which was composed of U.S Government personnel, members of the Afghanistan Ministry of Mines and Petroleum (MoPM), and other contractors to draft tender documentation for the execution of a fair and transparent tender for tendered mineral assets. The transaction advisor worked with legal and geological experts on the Mineral Tender Team to assist in executing the tender and sale process.

Table 1: DAI Contract Task Order with Modifications

Contract Number / Task Order GS10F0359M/ D14PD005467	Start date	End date	Amount Funded (Obligated)	Purpose
Base Year	5/7/2014	11/6/2014	2,111,345	Expeditionary Business Operations Support
Mod 1				Budget Re-alignment Travel to ODC
Mod 2			154,975	Incremental Funding
TOTAL			2,266,320	

SIGAR contracted Williams, Adley & Company-DC, LLP (Williams Adley) to audit costs incurred under task order D14PD00567 and associated modifications awarded to DAI. The period of performance for the DAI contract for audit purposes was May 7, 2014 to November 6, 2014.

Objectives

The objectives of the audit are to:

1. Special Purpose Financial Statement – Express an opinion on whether the Special Purpose Financial Statement for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.
2. Internal Controls – Evaluate and obtain a sufficient understanding of DAI’s internal controls related to the contract; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
3. Compliance – Perform tests to determine whether DAI complied, in all material respects, with the contract requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the contract and applicable laws and regulations, including potential fraud or abuse that may have occurred.
4. Corrective Action on Prior Findings and Recommendations – Determine and report on whether DAI has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the Special Purpose Financial Statement or other financial data significant to the audit objectives.

Scope

In general, our scope of work includes the TFBSO time and materials task order D14PD00567 and related modifications executed for the period between May 7, 2014 and November 6, 2014.

1. We performed a financial audit of incurred costs by DAI under the award listed above that supported the TFBSO effort.
2. We conducted sufficient testing to express an opinion on the engagement objectives. The major areas of review included the following:
 - i. Administrative Procedures and Fraud Risk Assessment

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- ii. Budget Management
 - iii. Cash Management
 - iv. Disbursement and Financial reporting
 - v. Procurement and Inventory Management
 3. We performed compliance testing, including, but not limited to, activities allowed or disallowed; allowable costs under cost principles; cost determination for indirect costs; cash management; costs incurred eligibility; period of availability of Federal funds; procurement, suspension and debarment; program income; and reporting.
 4. We reviewed transactions for the period from May 7, 2014 to November 6, 2014 and subsequent events and information that may have significant impact on the findings and questioned costs for the audit period.
 5. We expressed an opinion on the Special Purpose Financial Statement and related Notes for the audit period.

Our audit was conducted to form an opinion on the Special Purpose Financial Statement in accordance with the Special Purpose Financial Statement presentation requirements in Note 2. Therefore:

- The Transmittal Letter to SIGAR and the information presented in the Table of Contents and Summary are presented for informational and organizational content purposes and are not required parts of the Special Purpose Financial Statement. Such information has not been subject to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we do not express an opinion or provide any assurance on it.
- The scope of our audit does not include procedures to verify the efficacy of the TFBSO funded program, and accordingly, we do not express an opinion or provide any assurance on it.

Methodology

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS), as published in the Government Accountability Office's Government Auditing Standards ("Yellow Book"). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the Special Purpose Financial Statement of the costs incurred under the award are free of material misstatement. An audit includes:

- Obtaining an understanding of DAI's internal controls related to the award, assessing control risk, and determining the extent of audit testing needed based on the control risk assessment.
- Examining, on a test basis, evidence supporting the amounts and disclosures presented in the Special Purpose Financial Statement.

To meet the audit objectives, we prepared an audit plan for the engagement. We reviewed applicable background materials, including contracts, auditee financial progress

reports, DoD regulations, SIGAR's Afghanistan alert letters, audit reports and special program reports, and auditee single audits, performance audits and/or financial statement audits as applicable, to gain a thorough understanding of the control environment, the requirements of the contract, and any past findings and recommendations that may impact the audit. If prior audits indicated a need for corrective action to be taken by DAI, we ensured through inquiry, observation and testing whether the necessary steps were taken to adequately address those findings and recommendations. We requested and received supporting documentation for compliance evaluation of incurred costs and gained an understanding of the internal control related thereto. We assessed the control risk for sampling and testing purposes.

We used both statistical and judgmental sampling techniques to select direct labor, travel, and other direct cost samples to test for allowable incurred costs based on our risk assessment, and reviewed procurement records to determine cost reasonableness and compliance with exclusion of parties not eligible to participate in federal awards, as applicable.

The scope of our audit reflects our assessment of control risk and includes tests of incurred costs to provide a reasonable basis for our opinion.

Summary of Results

We issued an unmodified opinion on DAI's Special Purpose Financial Statement. We also reported on DAI's internal control and compliance with contract terms, laws and regulations. We did not identify material weaknesses or other reportable conditions for DAI's internal control or compliance with contract terms, laws and regulations required under GAGAS.

There are two categories of questioned costs—ineligible and unsupported. Ineligible costs are those costs that are deemed unallowable in accordance with the terms of the contract and applicable laws and regulations, or are unnecessary or unreasonable expenditure of funds. Unsupported costs are those costs for which DAI was unable to provide sufficient supporting documentation, including evidence of proper approvals, for Williams Adley to determine the accuracy and allowability of the costs. We did not report questioned costs for ineligible or unsupported costs.

Status of Prior Audit Findings

Williams Adley reviewed prior audits of DAI. Specifically, we reviewed the financial audit of DAI (SIGAR 14-74) where there were two material internal control weaknesses noted, and five non-compliance issues reported, which contributed to questioned costs. Based on the analysis of responses received from DAI, a review of the United States Agency for International Development's (USAID's) decision on the questioned costs and the results of test work in the current audit, we determined that adequate corrective action was taken in response to the findings, the findings are now closed, and the conditions that led to the findings have not impacted the costs under this audit.

Summary of Management Comments on Audit Report

DAI management was provided an opportunity to provide written comments on the audit report. As there were no audit findings issued, management declined to provide written comments.

Attachments

The auditor's reports are supplemented by Attachment A, which contains prior audit reports' findings and recommendations and the auditor's assessment of the current status for those findings and recommendations.



Independent Auditor's Report on the Special Purpose Financial Statement

Michael Jakobowski
Chief Financial Officer
DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, MD 20814

Report on the Special Purpose Financial Statement

We have audited the special purpose financial statement of DAI Global, LLC (hereinafter "DAI") under task order D14PD00567 for the period May 7, 2014 through November 6, 2014. The special purpose financial statement ("Statement") is the responsibility of DAI's management. Our responsibility is to express an opinion on the Statement based on our audit.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the methods of preparation described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements (including the Statement) that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the Statement.

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred, and items and technical assistance directly procured by DAI under task order D14PD00567 for the period May 7, 2014 through November 6, 2014 in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note 2.

Other Reporting Required by GAGAS

In accordance with GAGAS, we have also issued our reports, dated August 21, 2017, on our consideration of DAI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with GAGAS in considering DAI's internal control over financial reporting and compliance.

Restriction on Use

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

Williams, Adley & Company-DC, LLP
Washington, D.C.
August 21, 2017

DAI Global, LLC
Special Purpose Financial Statement for Costs Incurred
 Under Task Order Number D14PD00567
 For the period of May 7, 2014 through November 6, 2014

	Base Period Budget	Actual	Notes ¹
REVENUE			
Task Order D14PD00567	\$2,266,320	\$902,556	3
TOTAL REVENUE	\$2,266,320	\$902,556	
COSTS			
4			
Time:			
Labor - CLIN 010	\$1,378,548	\$855,578	
Labor - CLIN 020	455,993	-	
Labor - CLIN 030	154,975	-	
Total Time	\$1,989,516	\$855,578	
Materials:			
ODC - CLIN 020	\$37,194	\$16,099	
Travel - CLIN 020	177,089	30,879	
DBA - CLIN 020	62,521	-	
Total Materials	\$276,804	\$46,978	
TOTAL COSTS	\$2,266,320	\$902,556	
Balance		\$0.00	

¹ The Notes to the Special Purpose Financial Statement are an integral part of the Statement.

DAI Global, LLC

Notes to the Special Purpose Financial Statement²**NOTE 1 – BACKGROUND**

On July 8, 2002, the General Services Administration (GSA) awarded DAI a Worldwide Federal Supply Schedule Contract for Mission Oriented Business Integrated Services (MOBIS), Contract No. GS-10F-0359M. The contract period is from July 8, 2002 through July 7, 2017, including the second 5-year option period. The contract allows for the placement of Firm Fixed Price or Time-and-Materials task orders using the labor categories and ceiling rates defined in the contract.

On May 7, 2014, the Department of Interior (DOI) awarded Time-and-Materials Task Order No. D14PD00567 under Contract No. GS-10F-0359M to DAI for the provision of professional business analysis, advisory and assistance support services to the Department of Defense Task Force to Improve Business and Stability Operations (TFBSO).

The original Task Order has the following periods of performance, Not-to-Exceed (NTE) amounts and obligated amounts.

Period of Performance	NTE Amount	Obligated Amount
Base Period From May 7, 2014 through November 6, 2014	2,111,344.57	2,111,344.57
Option Period 1 From November 7, 2014, through February 6, 2015	675,553.01	0.00
Option Period 2 From February 7, 2015 through May 6, 2015	668,555.01	0.00
Total	3,455,452.59	2,111,344.57

On August 20, 2014, DOI issued Task Order Modification No. 2 to increase the NTE amounts for all periods of performance and the obligated amount for the base period as follows.

Period of Performance	NTE Amount	Obligated Amount
Base Period From May 7, 2014 through November 6, 2014	2,266,319.57	2,266,319.57
Option Period 1 From November 7, 2014, through February 6, 2015	736,108.01	0.00
Option Period 2 From February 7, 2015 through May 6, 2015	695,469.01	0.00
Total	3,697,896.59	2,266,319.57

² The Notes to the Special Purpose Financial Statement are the responsibility of DAI's management.

NOTE 2 – BASIS OF PREPARATION

(a) Basis of Presentation

The Special Purpose Financial Statement (the “Statement”) presents the revenues earned and the costs incurred by DAI under Task Order No. D14PD00567 for the period from May 7, 2014 to November 6, 2014. The Statement presents only a selected portion of DAI’s operations, and it is not intended to and does not present the financial position and cash flows of DAI.

(b) Accounting Basis

The Special Purpose Financial Statement has been prepared on the cash basis of accounting. Under this basis, revenues are recognized when received, and expenses are recognized when paid.

(c) Foreign Currency Conversion Method

The Special Purpose Financial Statement is denominated in US Dollar. Transactions in foreign currencies were converted to U.S. Dollar by applying an average monthly rate based upon the bank rates used to transfer funds between US Dollar account and Afghanis account.

NOTE 3 – REVENUE

Revenue on the Special Purpose Financial Statement represents the total amount billed to DOI in accordance with the terms and conditions of the task order during the period of performance.

(a) Labor

Whereas Task Order No. D14PD00567 is a Time-and-Materials task order under the GSA MOBIS contract, DAI billed labor hours to DOI at the agreed upon GSA MOBIS labor rates net of the discounts offered by DAI as follows.

- CONUS – 25 percent
- OCONUS – 8 percent
- Local Staff – 50 percent

(b) Materials

All other costs incurred by DAI under the Task Order were billed to DOI at cost plus G&A at the provisional rate of ██████ percent, which was approved on the Negotiated Indirect Cost Rate Agreement (NICRA) dated June 21, 2013.

NOTE 4 – COSTS INCURRED

The budget categories and the associated amounts reflect the contract line items presented on the Task Order and any amendments thereto.

The costs incurred reported on the Special Purpose Financial Statement are presented in accordance with the contract line items. All costs reported under 'Materials' are fully burdened using the approved provisional G&A rate of [REDACTED] percent.



Independent Auditor's Report on Internal Control

Michael Jakobowski
Chief Financial Officer
DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, MD 20814

We have audited the special purpose financial statement ("Statement") of DAI Global LLC (hereinafter "DAI") for the period May 7, 2014 through November 6, 2014, and have issued our report on it dated August 21, 2017.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

Internal Control over Financial Reporting

The management of DAI is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of accounting described in Note 2 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Purpose of this Report

In planning and performing our audit of DAI's Statement for the period May 7, 2014 through November 6, 2014, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing

our opinion on the Statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants (AICPA). A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not note matters involving internal control and its operation that we consider to be material weaknesses as defined above.

Restriction on Use

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

Williams, Adley & Company-DC, LLP
Washington, D.C.
August 21, 2017



Independent Auditor's Report on Compliance

Michael Jakobowski
Chief Financial Officer
DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, MD 20814

We have audited the special purpose financial statement ("Statement") of DAI Global LLC (hereinafter "DAI") for the period May 7, 2014 through November 6, 2014, and have issued our report on it dated August 21, 2017.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Statement amounts.

Compliance and Other Matters

Compliance with agreement terms and laws and regulations applicable to DAI is the responsibility of DAI's management. As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of DAI's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

In performing our testing, we considered whether the information obtained during our testing indicated the possibility of fraud or abuse. Evidence of possible fraud or abuse was not indicated by our testing. The results of our tests did not disclose instances of noncompliance that are required to be reported here under GAGAS.

Restriction on Use

This report is intended for the information of DAI, the Department of Defense and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in

order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Williams, Adley & Company, PC-LLP
Washington, D.C.
August 21, 2017

Attachment A – Prior Audit Report Recommendations and Current Status

We reviewed the prior audit report (SIGAR 14-74 financial audit) submitted by other auditors concerning the audit of the Special Purpose Financial Statement, which covered the following USAID contracts awarded to DAI and had an unqualified opinion on the Statement:

- No. 306-C-00-07-00503-00: Afghanistan Small and Medium-Sized Enterprise Development (ASMED), for the period of October 26, 2006 through November 30, 2012
- No. 306-DOT-I-02-08-00035-00: Afghanistan Stabilization Initiative (ASI), for the period of November 1, 2011 through September 25, 2012

The audit report identified two material weaknesses in internal control and five reportable non-compliance issues under the following four findings:

Finding ASMED 2014-1 – DAI did not have adequate review and approval procedures in place during the periods under audit, which included inadequate documentation of other direct costs approvals, unexplained discrepancies between the final monitoring report, payroll documentation and the general ledger, undetected clerical errors and incorrect coding in the general ledger. The auditor recommended that DAI improve procedures to ensure proper reconciliations, reviews, and approvals are performed and adequately documented for all contract costs incurred; and that DAI either provide the necessary supporting documentation or reconciliations to USAID or reimburse USAID \$27,344 in unsupported costs.

Current Status – We obtained documentation that USAID accepted DAI’s response and actions to resolve the finding and recommendations. In conjunction with our testing, where we did not observe these conditions, we determined this finding has been adequately addressed.

Finding ASMED 2014-2 – DAI was unable to provide adequate supporting documentation, which resulted in questioned costs. The auditor recommended that DAI provide the necessary documentation or reconciliations to USAID or return the unsupported amount of \$417,042 to USAID. The auditor also recommended that DAI improve procedures to ensure adequate documentation is maintained and readily available to support all costs incurred.

Current Status – We obtained documentation that USAID accepted DAI’s response and actions to resolve the finding and recommendations. In conjunction with our testing, where we did not observe these conditions, we determined this finding has been adequately addressed.

Finding ASI 2014-1 – DAI did not maintain adequate processes over ASI transactions, which resulted in control deficiencies and \$27 in questioned costs, clerical errors were not prevented or detected by DAI internal controls, and DAI did not timely pay all invoices

after receipt. The auditor recommended that DAI improve procedures to ensure the financial monthly report is reconciled to the general ledger, clerical errors are identified and corrected during its review process, and untimely payment to vendors are prevented. The auditor also recommended DAI provide supporting documentation or reconciliation to USAID for its contract close out or make an appropriate adjustment for the unsupported amount of \$27.

Current Status – We obtained documentation that USAID accepted DAI’s response and actions to resolve the finding and recommendations. In conjunction with our testing, where we did not observe these conditions, we determined this finding has been adequately addressed.

Finding ASI 2014-2 – DAI internal processes did not produce or retain sufficient documentation for ASI transactions, resulting in a control deficiency and \$11,524 in unsupported costs. The auditor recommended DAI provide the necessary supporting documentation to USAID or return the unsupported amount of \$11,524.

Current Status – We obtained documentation that USAID accepted DAI’s response and actions to resolve the finding and recommendations. In conjunction with our testing, where we did not observe these conditions, we determined this finding has been adequately addressed.

SIGAR's Mission

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

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

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