

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 19-41 Financial Audit

USAID's Regional Agricultural Development Program in Northern Afghanistan: 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.



JUNE
2019

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On May 21, 2014, the U.S. Agency for International Development (USAID) awarded Development Alternatives Inc. (DAI) a 5-year, \$78.4 million contract to implement the Regional Agricultural Development Program in Northern Afghanistan. The program's objective is to promote investments leading to sustained, long-term increases in farmers' incomes and private-sector growth. USAID modified the contract 10 times, but the period of performance and funding remained unchanged. On April 21, 2016, DAI changed its name to DAI Global LLC.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$30,233,589 charged to the contract from January 1, 2016, through December 31, 2017. 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 contract; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether DAI has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of DAI's Special Purpose Financial Statement (SPFS). See Crowe's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, 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 Crowe did not comply, in all material respects, with U.S. generally accepted government auditing standards.

June 2019

USAID's Regional Agricultural Development Program in Northern Afghanistan: Audit of Costs Incurred by DAI Global LLC

SIGAR 19-41-FA

WHAT THE AUDIT FOUND

Crowe identified three material weaknesses, three significant deficiencies, and three deficiencies in DAI's internal controls, and eight instances of noncompliance with the terms and conditions of the contract. For example, Crowe found that DAI overcharged USAID for indirect costs that were inconsistent with their negotiated indirect cost rate agreement. DAI misread the agreement's requirements and incorrectly applied the indirect cost rate to subcontractor costs, which was not allowed. Consequently, Crowe questioned \$543,104 of those indirect costs.

As a result of the internal control weaknesses and deficiencies, and instances of noncompliance, Crowe identified \$584,925 in questioned costs, consisting of \$41,821 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—and \$543,104 in ineligible costs—costs prohibited by the cooperative agreement, applicable laws, or regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Indirect Cost Rates	\$543,104	\$0	\$543,104
Grants under Contract	\$0	\$31,469	\$31,469
Government Property	\$0	\$3,271	\$3,271
Foreign Currency Translation	\$0	\$6,634	\$6,634
Training Costs	\$0	\$447	\$447
Total Questioned Costs	\$543,104	\$41,821	\$584,925

Crowe identified two prior audits that had five findings and recommendations that could have a direct and material effect on the SPFS. Crowe concluded that DAI had taken adequate corrective action for all five findings.

Crowe issued an unmodified opinion on DAI's SPFS, noting that it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

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

1. Determine the allowability of and recover, as appropriate, \$584,925 in questioned costs identified in the report.
2. Advise DAI to address the report's nine internal control findings.
3. Advise DAI to address the report's eight noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

June 10, 2019

The Honorable Mark Green
Administrator, U.S. Agency for International Development

Mr. Peter Natiello
USAID Mission Director for Afghanistan

We contracted with Crowe LLP (Crowe) to audit the costs incurred by DAI Global LLC (DAI) under a U.S. Agency for International Development (USAID) contract to implement the Regional Agricultural Development Program in Northern Afghanistan.¹ The program's objective is to promote investments leading to sustained, long-term increases in farmers' incomes and private-sector growth. Crowe's audit covered \$30,233,589 charged to the contract from January 1, 2016, through December 31, 2017. Our contract with Crowe required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$584,925 in total questioned costs identified in the report.**
- 2. Advise DAI to address the report's nine internal control findings.**
- 3. Advise DAI to address the report's eight noncompliance finding.**

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

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-136)

¹ The contract number is AID-306-C-14-00002.



DAI Global, LLC

Regional Agricultural Development Program in Northern Afghanistan

Special Purpose Financial Statement

For the Period January 1, 2016 through December 31, 2017

(With Independent Auditor's Report Thereon)

Table of Contents

TRANSMITTAL LETTER	1
SUMMARY	2
INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT	8
SPECIAL PURPOSE FINANCIAL STATEMENT.....	10
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT.....	11
NOTES TO THE QUESTIONED COSTS PRESENTED ON THE SPECIAL PURPOSE FINANCIAL STATEMENT	18
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL.....	19
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE	21
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS	23
SECTION II: SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW AND ASSESSMENT FINDINGS..	36
APPENDIX A: VIEWS OF RESPONSIBLE OFFICIALS.....	38
APPENDIX B: AUDITOR'S REBUTTAL	39
APPENDIX C: USAID REQUIRED ANNUAL INVENTORY FORMAT	42
APPENDIX D: DAI ANNUAL INVENTORY SUBMISSION.....	43

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Transmittal Letter

May 13, 2019

To the President and Chief Executive Officer and Global Executive Team of DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland 20614

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of DAI Global, LLC's ("DAI") contract funded by the United States Agency for International Development (USAID).

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

When preparing our report, we considered comments, feedback, and interpretations of DAI, the Office of the Special Inspector General for Afghanistan Reconstruction, and USAID provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses have been incorporated into this report as an appendix.

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

Sincerely,

A handwritten signature in black ink that reads "Chris Mower".

Chris Mower, CPA, Partner
Crowe LLP

Summary

Background

The Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) engaged Crowe LLP (“Crowe” or “we” or “our”) to conduct a financial audit of U.S. Agency for International Development (USAID) Contract Number AID-306-C-14-00002, which was awarded to Development Alternatives Inc. on May 21, 2014.¹ Development Alternatives, Inc. was subsequently dissolved on April 21, 2016. On the same date, the company filed its registration with the State of Maryland, establishing its legal name as DAI Global, LLC (“DAI”). Therefore, the auditee, for purposes of this report, is considered to be DAI Global, LLC.

USAID issued the contract as a cost plus fixed fee completion-type award funding the Regional Agricultural Development Program in Northern Afghanistan (“RADP North”). RADP North is a sustainable agricultural development program that is intended to promote investments leading to sustained, long-term increases in farmer incomes and private sector growth. RADP North is one of five regional agricultural programs designed to provide alternatives to poppy farming by encouraging Afghan farmers to grow more wheat. Increasing wheat production with high-efficiency farming methods could improve the economic well-being of Afghan farmers.

Under the contract, DAI was charged with implementing RADP North in the Northern Afghanistan region. The overall goal is to improve food and economic security for rural Afghans in targeted areas – specifically, Jowzjan, Balkh, Kunduz, Badakhshan, Samangan, and Baghlan provinces. The contract includes a five-year period of performance spanning May 21, 2014 through May 20, 2019. USAID established a ceiling price of \$78,429,714 on the contract, inclusive of ██████████ in estimated costs and ██████████ in fixed fee payable to DAI. The contract was modified 10 times, with no effect on the period of performance or award amount. The following table summarizes the modifications.

Modification No.	Date	Highlights
1	January 6, 2015	<ul style="list-style-type: none"> Incremental funding increase Administrative contract language changes Management and technical capacity increase
2	November 1, 2015	<ul style="list-style-type: none"> Administrative contract language changes
3	November 8, 2015	<ul style="list-style-type: none"> Budget realignment Technical Deliverables Table additions Program component revisions
4	November 8, 2015	<ul style="list-style-type: none"> Incremental funding increase Accounting and appropriations data additions
5	May 1, 2016	<ul style="list-style-type: none"> Key personnel changes
6	September 19, 2016	<ul style="list-style-type: none"> Key personnel changes
7	November 8, 2016	<ul style="list-style-type: none"> Incremental funding increase Accounting and appropriations data additions
8	December 6, 2016	<ul style="list-style-type: none"> Program component revisions Key personnel changes
9	January 20, 2017	<ul style="list-style-type: none"> Section H, Special Contract Requirements replaced

¹ Beginning with Modification Number 1 to the contract, DAI began doing business as “DAI Washington” for purposes of the contract.

Modification No.	Date	Highlights
10	August 27, 2017	<ul style="list-style-type: none"> • Incremental funding increase • Budget realignment • Program component revisions • Deliverables and milestones revisions • Contract administration data changes

The audit's scope includes activity within the period January 1, 2016 through December 31, 2017. Within the period under audit, DAI reported \$31,990,698 in total revenue, [REDACTED] in costs incurred, and [REDACTED] in fixed fee.

Work Performed

Crowe was engaged by SIGAR to conduct a financial audit of DAI's project.

Objectives Defined by SIGAR

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

Audit Objective 1 – Special Purpose Financial Statement

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

Audit Objective 2 – Internal Controls

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

Audit Objective 3 – Compliance

Perform tests to determine whether DAI complied, in all material respects, with the contract 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.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

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

Scope

The scope of the audit covered the period January 1, 2016 through December 31, 2017. The audit was limited to those matters and procedures pertinent to the contract that have a direct and material effect on the Special Purpose Financial Statement ("SPFS"). The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, included within the audit program for detailed evaluation:

- Allowable Costs and Activities;
- Cash Management;
- Equipment and Property Management;

(Continued)

- Procurement; and
- Grants under Contract.

Methodology

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

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS, and tested to determine if the transactions were recorded properly in the project financial records; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the award if the cost benefited multiple objectives; and were adequately supported.

With regard to Audit Objective 2 regarding internal control, Crowe requested, and the auditee provided, copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by DAI during the period of performance. Crowe conducted interviews with management to obtain an understanding of the processes that were in place during the period of performance. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 requires that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the contract. Crowe identified – through review and evaluation of the contract executed by and between DAI and USAID, the Federal Acquisition Regulation (“FAR”), and the USAID Acquisition Regulation (“AIDAR”) – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants (“AICPA”), Crowe selected expenditures, claims submitted to the Government for payment, procurements, property and equipment, and subcontracts issued under the contract and corresponding costs incurred. Supporting documentation was provided by the auditee and subsequently evaluated to assess DAI's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the negotiated indirect cost rate agreements (“NICRA”) issued by USAID. We also performed procedures to determine if adjustments to billings that were based on preliminary or provisional rates were made, as required and applicable.

Regarding Audit Objective 4, Crowe inquired of DAI, USAID staff participating in the audit entrance conference, and SIGAR to understand whether or not there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. As a result of the aforementioned efforts, we identified three prior audit reports – two of which contained findings and recommendations. We determined that five of the findings included within the two aforementioned reports could be direct and material to the SPFS or other financial objectives applicable to the audit. For findings determined to have a potential material effect on the SPFS, Crowe performed follow-up audit procedures which included, but were not limited to, testing specific transaction groups, reviewing modifications to internal procedures, and evaluating the status of the implementation of corrective actions regarding the finding or findings identified. The results of these procedures are noted in Section II.

Summary of Results

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

Crowe issued an unmodified opinion on the SPFS.

Crowe also reported on both DAI's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the contract. Three material weaknesses in internal control, three significant deficiencies in internal control, and three deficiencies in internal control were reported. Eight of the findings were classified as instances of noncompliance. In situations in which internal control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

In response to identified instances of noncompliance, Crowe reported \$584,925 in questioned costs. SIGAR requires that questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines unsupported costs as those that are not supported with adequate documentation or did not have required prior approvals or authorizations. Ineligible costs are those that are explicitly questioned because they are unreasonable; prohibited by the audited contract or applicable laws and regulations; or are unrelated to the award. Of the \$584,925 in unique questioned costs, \$543,104 are deemed ineligible and the remaining \$41,821 unsupported.

Crowe also requested copies of prior audits, reviews, and evaluations that could have a material effect on the special purpose financial statement or other financial data significant to the audit objectives. Three reports were identified and assessed for purposes of determining whether there were findings and corrective actions requiring follow-up. Two of the three reports contained findings for a total of five findings subject to review. Crowe conducted procedures to determine whether adequate corrective action had been taken on prior findings. Crowe concluded that DAI had taken adequate corrective action on the five findings. **Section II: Summary Schedule of Prior Audit, Review and Assessment Findings** provides additional detail regarding the findings.

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

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2018-01	Noncompliance with the NICRA G&A Base of Application	Material Weakness and Noncompliance	\$ 543,104
2018-02	Failure to Obtain USAID Approval Prior to Executing Grants Under Contract	Significant Deficiency and Noncompliance	\$ 31,469
2018-03	Uncertified and Improperly Formatted Annual Inventory of Government Property	Material Weakness and Noncompliance	None
2018-04	Failure to Report Loss of Government Property to USAID Timely	Deficiency and Noncompliance	\$ 3,271
2018-05	Incorrect Foreign Currency Translations	Deficiency and Noncompliance	\$ 6,634
2018-06	Material Misstatements and Omissions of Required Components in the Special Purpose Financial Statement	Material Weakness	None
2018-07	Evidence of Grantee Monitoring Not Provided	Significant Deficiency and Noncompliance	None

(Continued)

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2018-08	Failure to Ensure Grantees were Audited as Required	Significant Deficiency and Noncompliance	None
2018-09	Unnecessary Cost Incurred for Participant Training	Deficiency and Noncompliance	\$ 447
Total Questioned Costs:			\$ 584,925

Summary of Management Comments

Management concurred or partially concurred with findings 2018-03, 2018-04, and 2018-06 and the accompanying recommendations. DAI's management disagreed with findings 2018-01, 2018-02, 2018-05, 2018-07, 2018-08, and 2018-09. DAI also disagreed with all questioned costs. We have summarized the areas where DAI disagreed or partially concurred with our findings below.

- Regarding Finding 2018-01, management did not concur with the auditor's position that subcontractor costs are improperly classified as pass through costs and cited a 2018 revision to the NICRA that changed the base of application to no longer exclude pass through other direct costs.
- DAI disagreed with Finding 2018-02, noting USAID's January 7, 2016 approval of the revised grants manual retroactively modified the contract requirement by allowing grants issued prior to January 2016 to be issued without USAID's prior approval. In addition, DAI provided email correspondence indicating an individual from USAID approved the grants.
- Regarding Finding 2018-03, DAI concurred with the portion of the finding regarding the omission of a required attestation statement in the Annual Inventory of Government Property submission. DAI partially concurred with the portion of the finding regarding the submission of inaccurate inventory information. DAI noted in their rebuttal that a reconciled inventory spreadsheet is submitted as part of the Annual Inventory of Government Property submission, thus supporting the accuracy of the inventory information submitted. DAI, in its response to Finding 2018-04, concurred with the portion of the finding related to DAI's failure to notify USAID of damaged equipment. DAI disagreed that the oversight noted in the finding would cause the related equipment costs to become questioned costs.
- DAI did not concur with Finding 2018-05, as DAI interpreted the accounting standards to permit the use of the first-in-first-out (FIFO) method for the translation of transactions denominated in a foreign currency. Further, DAI indicated it understood USAID permits the use of the FIFO method for translations.
- DAI, in its response to Finding 2018-06, noted that although they agree with the finding, they do not agree the effect of the finding would negatively impact the reliability of financial reporting or increase the vulnerability of fraud in financial transactions, as well as affect the results reporting, grant awards or the procurement of goods and services.
- Regarding Finding 2018-07, DAI disagreed with the audit finding, as DAI contends the monitoring procedures performed were adequate to meet the requirements of the DAI Grants Under Contract ("GUC") Manual.
- DAI disagreed with Finding 2018-08 based on DAI's understanding that the grantee audits are triggered by the expenditure of \$750,000 in USAID funds during a fiscal year, not the \$300,000 referenced by the auditor for the period in question.
- Regarding Finding 2018-09, DAI disagreed with the finding, contending refreshment costs are an allowable cost under ADS 253 and ADS 580.

(Continued)

References to Appendices

The auditor's reports are supplemented by four appendices: **Appendix A**, which contains management's responses to the audit findings; **Appendix B**, which contains the auditor's rebuttal; **Appendix C**, which contains USAID's annual inventory template; and **Appendix D**, which contains an excerpt from DAI's annual inventory submissions.

(Continued)

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the President and Chief Executive Officer and Global Executive Team of DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland 20614

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

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement ("the Statement") of DAI Global, LLC ("DAI"), and related notes to the Statement, with respect to the Regional Agricultural Development Program in Northern Afghanistan funded by USAID Contract Number AID-306-C-14-00002, for the period January 1, 2016 through December 31, 2017.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, revenues received, costs incurred, and balance for the indicated period in accordance with the basis of presentation and accounting described in Notes 1, 2, 5, 6, and 7.

Basis of Presentation and Accounting

We draw attention to Notes 1, 2, 5, 6, and 7 to the Statement, which describe the basis of presentation and accounting. The Statement presents those amounts as permitted under the terms of USAID Contract Number AID-306-C-14-00002, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the contract referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of DAI, the United States Agency for International Development, and SIGAR. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated April 26, 2019, on our consideration of DAI's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DAI's internal control over financial reporting and compliance.


Crowe LLP

Washington, D.C.
April 26, 2019

DAI Global LLC
Special Purpose Financial Statement
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

	Budget*	Actual	Questioned Costs		Notes
			Ineligible	Unsupported	
Revenues					
Contract No. AID-306-C-14-00002	\$ 78,429,714	\$ 31,990,698			
Total Revenue	78,429,714	31,990,698			5
Costs Incurred					
CLIN 0001 WHEAT	21,247,940	9,492,922	\$ 152,299	\$ 31,922	6 A, B, D
CLIN 0002 HIGH VALUE CROPS	27,180,554	10,678,853	163,801	2,003	A, D
CLIN 0003 LIVESTOCK	17,095,706	6,783,487	149,441	4,625	A, D, E
CLIN 0004 ENABLING ENVIRONMENT	8,428,804	3,278,327	77,563	-	A
Total Cost Incurred	73,953,004	30,233,589			C
CLIN 0005 FIXED FEE					
Total Cost Plus Fixed Fee	\$				
Balance / Total		\$ -	\$ 543,104	\$ 38,550	7

* - Budget column reflects the total contract budget for the life of the RADP-N award. Actual column shows costs incurred in the audit period. Presentation is not informative of any remaining unused and/or available funds under contract number AID-306-C-14-00002.

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

DAI Global, LLC

**Notes to the Special Purpose Financial Statement
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Special Purpose Financial Statement (“the Statement”) includes costs incurred under USAID’s Regional Agricultural Development Program in Northern Afghanistan (“RADP North”) funded by USAID Contract Number AID-306-C-14-00002 for the period from January 1, 2016 to December 31, 2017. Because the Statement presents only a selected portion of the operations of DAI Global, LLC (“DAI”), it is not intended to and does not present the financial position, changes in net assets, or cash flows of DAI Global, LLC. The information in this Statement is specific to the contract listed above. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – BASIS OF ACCOUNTING

Expenditures transacted in the Project’s Afghanistan Office are reported on the Statement using the cash basis of accounting. Expenditures paid through DAI’s Home Office are reported using the accrual basis of accounting. Expenditures are recognized following the cost principles contained in DAI Global, LLC’s Cost Accounting Standards Disclosure Statement, Generally Accepted Accounting Principles (“GAAP”), and the requirements of the commercial entity cost principles appearing in Title 48, Part 31 of the United States Code of Federal Regulations wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – ORGANIZATIONAL HISTORY

DAI Global, LLC is a global development company with operations around the world. The Company, formerly known as “Development Alternatives, Inc.,” was originally incorporated on May 6, 1970. On January 15, 2016, Development Alternatives, Inc. changed its organizational structure and converted from an S corporation to a limited liability company (LLC) and was renamed DAI Global, LLC. This conversion constitutes a continuation of the existence of the previous corporation in the form of a Delaware limited liability company. The business and affairs of the Company are managed by its Board of Managers.

NOTE 4 – FOREIGN CURRENCY CONVERSION METHOD

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

NOTE 5 – REVENUES

Revenues associated with reimbursable costs incurred in the Project’s Afghanistan Office are reported on the Statement using the cash basis of accounting. Revenues associated with reimbursable expenditures paid through DAI’s Home Office are reported using the accrual basis of accounting.

(Continued)

DAI Global, LLC

Notes to the Special Purpose Financial Statement
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

NOTE 6 – COSTS INCURRED BY BUDGET CATEGORY

The budget categories in the Special Purpose Financial Statement are taken from the approved RADP North contract budget. Please note that the Budget column in the Statement reflects the total contract budget for the life of the award, while the Actual column shows costs incurred for the period audited. Accordingly, the amounts presented are not informative of any remaining unused and/or available funds under USAID Contract Number AID-306-C-14-00002.

NOTE 7 – BALANCE

The fund balance presented on the Statement represents the difference between revenues recognized and the sum of costs incurred and fixed fee during the implementation of the contract. For the period ending December 31, 2017, the outstanding fund balance amounted to \$0.

NOTE 8 – CURRENCY

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

NOTE 9 – SUBCONTRACTORS

Subcontractors include recipients of subcontracts issued to local or U.S.-based entities. Subcontracts may be issued as cost plus fixed fee, time and materials, fixed price, blanket purchase agreements and/or purchase orders issued for major equipment and/or other commercial goods and services purchases. Subcontractors and their corresponding costs incurred during the period under review are as follows:

Subcontractor	Total Disbursement During the Period from January 1, 2016 through December 31, 2017 (USD)
ACDI / VOCA	\$ 3,040,352
ALCIS USA INC	237,843
DEVELOPMENT & TRAINING SERVICES INC	207,299
JOINT DEVELOPMENT ASSOCIATES INTERNATIONAL INC	3,173,979
KANAVA INTERNATIONAL, LLC	96,500
PAX MONDIAL LLC	976,893
Rahman Safi International (RSI) Consulting	911,958
Rahmat Shah Badal Shah Consultant	250,284
STITCHING DCA VET	1,536,844
Total	\$ 10,431,952

(Continued)

DAI Global, LLC

Notes to the Special Purpose Financial Statement
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

NOTE 10 – GRANTS UNDER CONTRACT

As authorized in Section H.47 of the prime contract, RADP-North will provide funding to other organizations through grants under contract. The fund will be administered in accordance with the conditions established in ADS 302.3.4.12 and award up to a maximum of \$10 million during the five-year period. This pool of grant funding will be referred to as the Market Development Fund (“MDF”). DAI will administer the grants program in accordance with the requirements of ADS 303, 22 CFR 226, the provisions of the RADP North contract and applicable federal law.

Grant No.	Grantee	Total Disbursement During the Period from January 1, 2016 through December 31, 2017 (USD)
G-MAZ-001	Drukshsan Agriculture Company	\$ 3,381.09
G-MAZ-003	Tamadon Agriculture Seed Service Company	2,575.87
G-MAZ-004	Karwan Sabz Agriculture Company	2,445.09
G-MAZ-006	Omid Khorshid Noor	94,330.25
G-MAZ-008	Afghanistan Holding Group Consultancy Services	23,178.37
G-MAZ-009	Zam Seed Production Company	17,115.68
G-MAZ-010	Sweda Agriculture Services	11,918.34
G-MAZ-011	Sultan Daud Seed Production Company	14,428.46
G-MAZ-012	Shirabad Seed Production Agriculture Company	14,352.69
G-MAZ-013	Noor Mohammad Khan Certified Seed Company	15,966.45
G-MAZ-014	Mashal Naweem Seed Production Company	14,824.34
G-MAZ-015	Drukshsan Sabz Agriculture Company	12,619.98
G-MAZ-016	TAMADON Agriculture Seed Service Company	13,508.85
G-MAZ-017	Afghan Farm Service Center	13,538.18
G-MAZ-018	Khorasan Agriculture and Livestock Medicine Association	12,845.65
G-MAZ-019	Karwan Sabz Agriculture Company	13,618.82
G-MAZ-020	Karwan Sabz Agriculture Company	13,121.65
G-MAZ-022	Stanikzai Seed Multiplication Livestock and Agricultural Services	14,994.95
G-MAZ-023	Stanikzai Seed Multiplication Livestock and Agricultural Services	1,311.59
G-MAZ-024	TAMADON Agriculture Seed Service Company	121,017.49
G-MAZ-025	Tamadon Agriculture Seed Service Company	11,766.36
G-MAZ-026	Partners Revitalization and Building	19,346.02
G-MAZ-027	ZOA Refugee Care	15,944.82
G-MAZ-028	ZOA Refugee Care	27,854.89
G-MAZ-029	Stanikzai Seed Multiplication Livestock and Agricultural Services	14,961.70

(Continued)

DAI Global, LLC

Notes to the Special Purpose Financial Statement
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

Grant No.	Grantee	Total Disbursement During the Period from January 1, 2016 through December 31, 2017 (USD)
G-MAZ-030	Stanikzai Seed Multiplication Livestock and Agricultural Services	\$ 29,941.13
G-MAZ-031	Nasir Azizi Agriculture Services Company	17,845.63
G-MAZ-032	Nasir Azizi Agriculture Services Company	32,673.29
G-MAZ-033	Nasir Azizi Agriculture Service Company	31,915.40
G-MAZ-034	Nasir Azizi Agriculture Service Company	64,763.25
G-MAZ-035	Global Partners	730,179.31
G-MAZ-036	Afghanistan Almond Industry Development Organization	18,995.05
G-MAZ-037	Afghanistan Almond Industry Development Organization	20,438.41
G-MAZ-038	Afghanistan Almond Industry Development Organization	22,204.52
G-MAZ-039	Social Development and Better for Afghanistan Organization	26,488.92
G-MAZ-040	Social Development and Better for Afghanistan Organization	22,675.20
G-MAZ-041	Kunduz Orchard Social Association	22,800.86
G-MAZ-042	Afghanistan Almond Industry Development Organization	143,343.20
G-MAZ-043	Afghanistan Almond Industry Development Organization	94,593.26
G-MAZ-044	Afghanistan National Nursery Growers Organization	121,881.90
G-MAZ-045	Afghanistan National Nursery Growers Organization	113,902.65
G-MAZ-046	Stanikzai Seed Multiplication Livestock and Agricultural Services	47,466.58
G-MAZ-047	Stanikzai Seed Multiplication Livestock and Agriculture Company	227,563.64
G-MAZ-048	Tamadon Agriculture Seed Service Company	34,835.31
G-MAZ-049	Tamadon Agriculture Seed Service Company	84,521.60
G-MAZ-050	Afghanistan National Nursery Growers Organization	67,629.58
G-MAZ-051	Female Rehabilitation and Development Organization	243,769.04
G-MAZ-052	Badakhshan Volunteer Women Organization	107,704.37
G-MAZ-053	Nasir Azizi Agriculture Service Company	115,063.88
G-MAZ-054	Omid Afghan Livestock Cooperation	79,262.37
G-MAZ-055	Omid Afghan Livestock Cooperation	86,876.18
G-MAZ-056	Karwan Sabz Agriculture Service Company	138,656.34
G-MAZ-057	Ace Management System Consultancy Services	16,672.47
G-MAZ-058	Jamshid Ramin Dry Fruit Processing and Packaging Company	154,400.00
G-MAZ-059	Afghanistan Development and Welfare Services Organization	244,937.06
G-MAZ-060	COMPASS Consulting Services	69,674.51
G-MAZ-061	Asia Silk Road Logistics Services Company	15,858.27
G-MAZ-062	Asia Silk Road Logistics Services Company	18,509.07
G-MAZ-063	Asia Silk Road Logistics Services Company	11,751.28

(Continued)

DAI Global, LLC

Notes to the Special Purpose Financial Statement
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

Grant No.	Grantee	Total Disbursement During the Period from January 1, 2016 through December 31, 2017 (USD)
G-MAZ-064	TAMADON Agriculture Seed Service Company	\$ 11,338.40
G-MAZ-065	Omid Afghan Livestock Cooperation	14,389.58
G-MAZ-066	Karwan Sabz Agriculture Company	6,003.30
G-MAZ-067	Omid Afghan Livestock Cooperation	30,358.03
G-MAZ-068	Social Development and Better for Afghanistan Organization	64,169.71
G-MAZ-069	Social Development and Better for Afghanistan Organization	58,037.80
G-MAZ-070	New Way Social and Development Organization	24,633.26
G-MAZ-071	New Way Social and Development Organization	49,844.98
G-MAZ-072	Nasir Azizi Agriculture Service Company	55,040.57
G-MAZ-073	Nasir Azizi Agriculture Service Company	40,514.80
G-MAZ-074	Stanikzai Seed Multiplication Livestock and Agriculture Services	21,902.62
G-MAZ-075	Stanikzai Seed Multiplication Livestock and Agriculture Services	4,054.19
G-MAZ-076	Stanikzai Seed Multiplication Livestock and Agriculture Services	35,027.55
G-MAZ-077	Stanikzai Seed Multiplication Livestock and Agriculture Services	4,125.65
G-MAZ-078	Stanikzai Seed Multiplication Livestock and Agriculture Services	37,297.18
G-MAZ-079	Stanikzai Seed Multiplication Livestock and Agriculture Services	4,802.01
G-MAZ-080	Noor Mohammad Khan Certified Seed Company	35,006.52
G-MAZ-081	Noor Mohammad Khan Seed Production Company	4,345.06
G-MAZ-082	Noor Mohammad Khan Seed Production Company	35,004.82
G-MAZ-083	Noor Mohammad Khan Seed Production Company	4,345.06
G-MAZ-084	Sweda Agriculture Service Company	34,951.02
G-MAZ-085	Sweda Agriculture Service Company	1,860.00
G-MAZ-086	Sultan Dawood Seed Production Company	33,774.15
G-MAZ-087	Sultan Dawood Seed Production Company	2,626.99
G-MAZ-088	Ensaf Jawzjan Seed Production Company	35,324.76
G-MAZ-089	Ensaf Jawzjan Seed Production Company	4,831.41
G-MAZ-090	Abdul Halim s/o Abdul	2,220.04
G-MAZ-091	Abdul Wali s/o Khairuddin	2,264.75
G-MAZ-092	Ahmad Farhad s/o Gurg Ali	2,056.11
G-MAZ-093	Hameedullah s/o Shir Mohammad	2,175.34
G-MAZ-094	Mohammad Asef s/o Mohammad Qasim	2,136.59
G-MAZ-095	Atifa d/o Mohammad Sharif	2,138.08
G-MAZ-096	Mohammad Eqbal s/o Alesh	2,264.75
G-MAZ-097	Burhanoddin s/o Mawlodin	2,220.04

(Continued)

DAI Global, LLC

Notes to the Special Purpose Financial Statement
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

Grant No.	Grantee	Total Disbursement During the Period from January 1, 2016 through December 31, 2017 (USD)
G-MAZ-098	Fatima d/o Sayed Hussain	\$ 2,100.82
G-MAZ-099	Nader Shah s/o Noor Ahmad	2,145.53
G-MAZ-100	Naqebullah s/o Abdul Kahliq	2,234.95
G-MAZ-101	Noornisa d/o Mohammad Rahim	2,234.95
G-MAZ-102	Rahima d/o Khodainazar	2,130.63
G-MAZ-103	Shamshir s/o Mir Ahmad	2,145.53
G-MAZ-104	Asia Silk Road Logistic Service Company	57,603.59
G-MAZ-105	Asia Silk Road Logistic Service Company	19,609.99
G-MAZ-106	ZOA Refugee Care	57,055.96
G-MAZ-107	ZOA Refugee Care	18,191.95
G-MAZ-108	Asia Silk Road Logistic Service Company	72,104.72
G-MAZ-109	Asia Silk Road Logistic Service Company	26,840.09
G-MAZ-110	Nasir Azizi Agriculture Service Company	92,568.66
G-MAZ-111	Nasir Azizi Agriculture Service Company	39,862.91
G-MAZ-112	Afghanistan Almond Industry Development Organization	101,845.00
G-MAZ-113	Social Development and Better for Afghanistan Organization	160,351.81
G-MAZ-114	Samira d/o Mirza Mohammad	2,115.72
G-MAZ-115	Afghanistan Almond Industry Development Organization	17,340.26
G-MAZ-116	Social Development and Better for Afghanistan Organization	31,639.97
G-MAZ-117	Samira d/o Mirza Mohammad	1,469.93
G-MAZ-118	Fatema d/o Sayed Hussain	1,469.93
G-MAZ-119	Shamshir s/o Mir Ahmad	1,469.93
G-MAZ-120	Ahmad Farhad s/o Gurgali	1,469.93
G-MAZ-121	Mohammad Eqbal s/o Alesh	2,939.86
G-MAZ-122	Abdul Wali s/o Haji Khairuddin	1,469.93
G-MAZ-124	Abdul Halim s/o Abdul	1,469.93
G-MAZ-125	Noornisa d/o Mohammad Rahim	1,469.93
G-MAZ-126	Naqibullah s/o Abdul Khaliq	1,469.93
G-MAZ-127	Nadershah s/o Noor Ahmad	1,469.93
G-MAZ-128	Mohammad Asef s/o Mohammad Qasim	1,469.93
G-MAZ-129	Rahima d/o Khodainazar	1,469.93
G-MAZ-130	Atifa d/o Mohammad Sharif	1,469.93
G-MAZ-131	Hamidullah s/o Shir Mohammad	1,469.93
G-MAZ-132	Afghanistan Almond Industry Development Organization	79,237.67

(Continued)

DAI Global, LLC

**Notes to the Special Purpose Financial Statement
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017**

Grant No.	Grantee	Total Disbursement During the Period from January 1, 2016 through December 31, 2017 (USD)
G-MAZ-133	Social Development and Better for Afghanistan Organization	\$ 109,320.03
G-MAZ-134	Afghanistan Development and Welfare Service Organization	51,513.87
G-MAZ-135	Stanikzai Seed Multiplication Livestock and Agriculture Service Company	35,740.89
G-MAZ-136	Social Development and Better for Afghanistan Organization	119,850.90
G-MAZ-137	Afghanistan Almond Industry Development Organization	112,981.58
G-MAZ-138	Afghanistan Development and Welfare Service Organization	144,223.10
G-MAZ-139	Stanikzai Seed Multiplication Livestock and Agriculture Company	112,195.75
G-MAZ-141	Karwan Sabz Agriculture Company	5,614.22
G-MAZ-142	Karwan Sabz Agriculture Company	5,615.87
G-MAZ-143	Karwan Sabz Agriculture Company	5,614.22
G-MAZ-144	Khorasan Agriculture Livestock Medicine Association	12,955.80
G-MAZ-149	Shabake Radio Azad FM	11,015.38
G-MAZ-150	Shabake Radio Azad FM	11,012.06
Total		\$ 6,020,909.56

NOTE 11 – PROGRAM STATUS

The RADP North remains active. The period of performance for the contract is scheduled to conclude on May 20, 2019. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of final negotiated indirect cost rate agreements.

NOTE 12 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to the January 1, 2016 through December 31, 2017 period covered by the Statement. Management has performed their analysis through April 26, 2019. Subsequent to the period covered by the Statement, DAI and USAID negotiated two modifications to the Negotiated Indirect Cost Rate Agreement (“NICRA”). The first modification was dated January 16, 2018, and resulted in revisions to the Fringe Benefit Rate applicable to Home Office/Overseas labor, the overhead rate, and the general and administrative (G&A) rate.

A second modification to the NICRA was executed on July 17, 2018. The modification resulted in revisions to the Fringe Benefit Rate applicable to Home Office/Overseas labor, the overhead rate, and the G&A rates for 2016 and 2017. Further, although the base of application remained unchanged, the footnote referring to this base was clarified as follows:

G&A base of application per the NICRA for 2015 through July 16, 2018: Total costs excluding G&A costs and pass-through other direct costs.

G&A base of application per the NICRA dated July 17, 2018: Total costs excluding G&A costs and pass-through grants.

DAI Global, LLC

**Notes to the Questioned Costs Presented on the Special Purpose Financial Statement
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017**

- A. Finding 2018-01 questioned \$543,104 due to DAI Global, LLC (“DAI”) assessing its general and administrative (G&A) rate against subcontractor other direct costs, which is prohibited under the terms of the Negotiated Indirect Cost Rate Agreement (“NICRA”) and the contract.
- B. Finding 2018-02 questioned \$31,469 due to DAI's failure to provide documentation demonstrating USAID approved each grant under contract.
- C. Finding 2018-04 includes \$3,271 in questioned costs as a result of DAI's failure to promptly report property that was lost, damaged, stolen, or destroyed and to obtain relief of responsibility.
- D. Finding 2018-05 includes \$6,634 in questioned costs due to overcharges resulting from improperly translated transactions denominated in a foreign currency.
- E. Finding 2018-09 includes \$447 in questioned costs due to DAI charging the cost associated with cake and juice to the contract without evidence supporting the necessity of the cost.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the President and Chief Executive Officer and Global Executive Team of DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland 20614

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement ("the Statement") of DAI Global, LLC ("DAI"), and related notes to the Statement, with respect to USAID Contract Number AID-306-C-14-00002 funding the Regional Agricultural Development Program in Northern Afghanistan ("RADP North"), for the period from January 1, 2016 through December 31, 2017. We have issued our report thereon dated April 26, 2019.

Internal Control over Financial Reporting

DAI's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation and accounting described in Notes 1, 2, 5, 6, and 7 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement for the period January 1, 2016 through December 31, 2017, we considered DAI's internal controls to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of DAI's internal control. Accordingly, we do not express an opinion on the effectiveness of DAI's internal control.

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

(Continued)

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 consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-01, 2018-03, and 2018-06 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-02, 2018-07, and 2018-08 to be significant deficiencies.

We noted certain matters that we reported to DAI's management in a separate letter dated April 26, 2019.

DAI Global, LLC's Response to the Findings

DAI's response to the findings was not subject to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Restriction on Use

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


Crowe LLP

Washington, D.C.
April 26, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the President and Executive Officer and Global Executive Team of DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland 20614

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement ("the Statement") of DAI Global, LLC ("DAI"), and related notes to the Statement, with respect to USAID Contract Number AID-306-C-14-00002 funding the Regional Agricultural Development Program in Northern Afghanistan ("RADP North"), for the period from January 1, 2016 through December 31, 2017. We have issued our report thereon dated April 26, 2019.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the contract is the responsibility of the management of DAI.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-01, 2018-02, 2018-03, 2018-04, 2018-05, 2018-07, 2018-08, and 2018-09.

DAI Global, LLC's Response to the Findings

DAI's response to the findings was not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Restriction on Use

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

Crowe LLP
Crowe LLP

Washington, D.C.
April 26, 2019

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

FINDING 2018-01: NONCOMPLIANCE WITH THE NICRA G&A BASE OF APPLICATION

Material Weakness and Noncompliance

Condition: During our testing of 101 labor, subcontractor, fringe benefit, grants-under-contract, equipment, and supplies expenditure transactions, we noted DAI Global, LLC (“DAI”) assessed its general and administrative (“G&A”) rate against pass through other direct costs, which is inconsistent with the provisions of the Negotiated Indirect Cost Rate Agreement (“NICRA”). USAID incorporated the term “pass through other direct costs” into the NICRA, but did not include a definition. Using the Federal cost principles and other supporting Federal guidance, we identified a definition of “pass through other direct costs” and confirmed the definition with USAID.

We noted pass through other direct costs are those costs that are directly allocable to an award, other than direct labor and direct materials, and that are incurred by an entity receiving funds from DAI. Upon identification of the matter, we inquired of USAID to confirm the definition of “pass through” entities within the context of DAI’s NICRA. USAID confirmed that subcontracts are included within the definition of “pass through.” Therefore, we reviewed the population of costs incurred during our audit period and identified [REDACTED] in subcontractor other direct costs burdened with the G&A rate. The resultant amount charged was \$543,104, which is in question.

Criteria: Section B.6, *Indirect Costs*, in DAI’s contract states, “Contractor’s most recent Negotiated Indirect Cost Rate Agreement (NICRA) with USAID is automatically incorporated by reference into this contract as required by AIDAR 742.770.”

DAI’s NICRA dated August 20, 2015, presented DAI’s indirect cost rates in effect from January 1, 2015, until such a time that the agreement is amended. The agreement presents the following as the base of application for the G&A rate: “(d) Total costs excluding G&A costs and pass-through other direct costs.”

FAR 31.201-2(a), *Determining allowability*, states, “A cost is allowable only when the cost complies with all of the following requirements:

- (1) Reasonableness.
- (2) Allocability.
- (3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances.
- (4) Terms of the contract.
- (5) Any limitations set forth in [Subpart 31.2].”

Questioned costs: \$543,104

Effect: The Government reimbursed DAI more funds than required, thus reducing the amount of funds available for programmatic purposes.

Cause: Per discussion with DAI, management believed the language in the NICRA presenting the base of application for the G&A rate was a typographical error and only grants were to be excluded from the burden. Management decided to administer the charges based on their understanding and interpretation rather than the requirements presented in the NICRA and the contract.

Recommendation: We recommend DAI:

1. Either reimburse the Government \$543,104, or produce written documentation demonstrating USAID authorized DAI to deviate from the language in the NICRA during the audit period.
 2. Conduct training regarding proper application of the NICRA.
-

**Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017**

FINDING 2018-02: FAILURE TO OBTAIN USAID APPROVAL PRIOR TO EXECUTING GRANTS UNDER CONTRACT

Significant Deficiency and Noncompliance

Condition: We selected 42 of 140 (30%) grants for testing. During our procedures, we identified 11 grants executed by DAI for which DAI did not provide evidence of USAID’s prior written approval.

On November 23, 2015, DAI modified its RADP North Grants Under Contract Manual (“the GUC Manual”) by eliminating USAID’s written approval, by either the Contracting Officer Representative or Contracting Officer (“CO”), for grants at or below \$100,000. DAI provided evidence of the Contracting Officer’s approval of the revised GUC Manual dated January 7, 2016; however, the contract terms were not modified to remove the written USAID requirement. Two of the eleven grants (identified below) for which evidence of approval was not provided were executed prior to January 7, 2016; \$31,469 in costs were incurred for the two grants. Due to the CO having approved the revised GUC Manual and per our discussion with USAID, costs incurred for the remaining nine grants are not in question, as they were valued less than \$100,000 and were issued on or after January 7, 2016.

Sample Item No.	Grant No.	Grantee	Grant Execution Date	Total Disbursement During the Period from January 1, 2016 through December 31, 2017 (USD)
19	G-MAZ-009	Zam Zam Seed Production Company	12/17/2015	\$ 17,116
37	G-MAZ-012	Shirabad Seed Production Agriculture Company	12/16/2015	\$ 14,353
Total Disbursements:				\$ 31,469

Criteria: Section H.47, *Grants Under Contract*, in DAI’s contract states:

USAID Approval of Grantees. The Contractor shall coordinate with USAID with respect to the establishment of selection criteria for grantees, such that USAID shall have substantial involvement in the establishment of the selection criteria. Before awarding a proposed grant, the Contractor must receive the prior written approval of USAID, including USAID approval as to (1) the identity of the proposed grantee, (2) the amount of the proposed grant, and (3) the nature of the grant activities.

Section 2.6, *Roles and Responsibilities*, of DAI’s USAID-approved GUC Manual states that the Chief of Party signs/awards the grant agreement upon approval from the USAID Contracting Officer Representative (“COR”).

Section 2.6, *Roles and Responsibilities*, of DAI’s updated USAID-approved GUC Manual, approved in January of 2016, states that the USAID Contracting Officer will provide approval on grants over \$150,000 and COR approval is required for those grants over \$100,000 and below \$149,999.

Questioned costs: \$31,469

Effect: DAI’s failure to follow the stipulated terms of the contract with respect to the threshold for USAID approval for grants may have resulted in the award of federal funds to grantees USAID may consider inappropriate and for purposes that do not align with USAID’s guidance.

DAI Global, LLC

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

Cause: DAI did not conduct adequate oversight to ensure that the CO's approval was obtained prior to implementing the revised GUC Manual's provisions. Because the staff assumed that DAI's revised GUC Manual, which removed USAID's approval requirement for certain grants, was approved prior to executing grants G-MAZ-009 and G-MAZ-012, DAI failed to comply with the contract requirements.

Recommendation: We recommend DAI:

1. Locate evidence of USAID's prior approval of the grants or otherwise reimburse the Government \$31,469;
2. Review financial records for disbursements occurring under the grants in question that may have occurred in subsequent periods and disclose such disbursements to USAID; and
3. Develop and document a procedure regarding GUC Manual revisions. The procedure should include expectations that revisions are effective after receipt of USAID's formal written approval and the process for communicating effective dates to impacted personnel.

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

FINDING 2018-03: UNCERTIFIED AND IMPROPERLY FORMATTED ANNUAL INVENTORY OF GOVERNMENT PROPERTY

Material Weakness and Noncompliance

Condition: We requested and obtained a copy of the Annual Inventory of Government Property submitted to USAID by DAI for 2016 and 2017. The inventories did not contain the required attestation statement. In addition, the inventories were not in the same format as that required by AIDAR 752.245-70 and excluded required information, resulting in an inaccurate inventory submission. See **Appendix C** for the USAID-required format and **Appendix D** for an excerpt of DAI's 2016 inventory report.

We noted the following during our review of the annual inventories:

- DAI did not provide the average age of the contractor-held property.
- The 2017 inventory contained 447 items with a total purchase price of \$1,528,267 while the 2016 inventory included 3,971 items with a total purchase price of \$1,711,305. Failure to include all required items in the inventory year-over-year results in the potential for USAID to be unaware of certain property dispositions.

Criteria: DAI's Policy 9, *Procurement and Inventory Management*, Procedure 9.6, "Inventory Management," states:

- 4.51 Projects shall conduct a physical inspection/audit of all property and equipment (even items with grantees) on a minimum of an annual basis and report to DAI/W Office of Administration or client per the terms of the contract.

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

Section H.15 of DAI's contract incorporates the provisions of AIDAR 752.245-70, Government property—USAID Reporting Requirements. The provision states, "[DAI] will submit an annual report on all non-expendable property in a form and manner acceptable to USAID substantially [as shown in the contract]."

In addition, Section H.15 requires the annual inventory submission include the following attestation statement:

PROPERTY INVENTORY VERIFICATIONS

I attest that (1) physical inventories of Government property are taken not less frequently than annually; (2) the accountability records maintained for Government property in our possession are in agreement with such inventories; and (3) the total of the detailed accountability records maintained agrees with the property value shown opposite line C above, and the estimated average age of each category of property is as cited opposite line D above. Authorized Signature.

Questioned costs: None

Effect: Inventories submitted by DAI may be utilized by the Government to help track federally owned assets. Errors and/or omissions in the inventories may result in the Government relying on inaccurate or incomplete information.

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

In addition, inventories may be utilized by Government personnel as an input to their federal financial statement development process. Therefore, there is a risk that federal financial statements may be adversely impacted as a result of improperly formatted or erroneous inventories.

Cause: The format used by DAI for inventory submission was not in compliance with the contractual requirements. Additionally, we found the employees charged with preparing and reviewing this submission did not ensure it conformed with requirements, and/or were unaware of the requirements.

Recommendation: We recommend DAI:

1. Provide training to the Chief of Party, and other responsible officials, regarding the required annual inventory of Government property.
2. Design, document, and implement a procedure requiring a review of the annual inventory of Government property by a member of senior management prior to submission to USAID.
3. Include an attestation statement with all annual inventory submissions.

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

FINDING 2018-04: FAILURE TO REPORT LOSS OF GOVERNMENT PROPERTY TO USAID TIMELY

Deficiency and Noncompliance

Condition: During our physical inspection of 40 Government property items conducted in Afghanistan, we found two laptops were damaged and not in proper working condition. Per discussion with DAI, reports of this Government property loss had not been created and provided to USAID as required by FAR 52.245-1.

Criteria: DAI's Policy 9, *Governing Policy on Procurement and Inventory Management*, Procedure 9.6, "Inventory Management," assigns the Facilities & Logistics Manager with responsibility to "notify vendor, DAI/W, or the client (if items are transferred directly from the client or another project) of discrepancies in quantities or types of items received or of damaged goods, as soon as possible."

FAR 52.245-1(f)(vi), *Government Property*, states, "The Contractor shall have a process to create and provide reports of discrepancies, loss of Government property, physical inventory results, audits and self-assessments, corrective actions, and other property-related reports as directed by the Contracting Officer."

FAR 52.245-1(f)(vii), *Government Property*, requires the Contractor to establish "...a process to enable the prompt recognition, investigation, disclosure and reporting of loss of Government property, including losses that occur at subcontractor or alternate site locations." Incidents of property loss are required to be reported to the Government as soon as the facts become known.

FAR 52.245-1(a), *Government Property*, defines "Loss of Government property," as follows:

Unintended, unforeseen or accidental loss, damage or destruction to Government property that reduces the Government's expected economic benefits of the property. Loss of Government property does not include purposeful destructive testing, obsolescence, normal wear and tear or manufacturing defects. Loss of Government property includes, but is not limited to—

- (1) Items that cannot be found after a reasonable search;
- (2) Theft;
- (3) Damage resulting in unexpected harm to property requiring repair to restore the item to usable condition; or
- (4) Destruction resulting from incidents that render the item useless for its intended purpose or beyond economical repair.

Questioned costs: \$3,271

Effect: DAI's failure to promptly notify the Government of damaged property items prevented the government's timely recognition and recordation of this property loss in their contract and accounting records.

Cause: DAI's Policy 9 did not require the prompt notification to the Government of the damaged property items. Additionally, DAI incorrectly assumed the company is permitted to wait until submission of the next annual Government property report to notify the Government of the damage to the laptops.

Recommendation: We recommend DAI:

1. Provide training to personnel regarding the reporting requirements applicable to the damaged laptops.
 2. Reimburse the Government \$3,271 or otherwise obtain relief of responsibility from the Government.
 3. Amend their policy to include language that specifies what is considered to be "prompt" recognition, disclosure, and reporting of lost, stolen, damaged, or destroyed Government property.
-

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

FINDING 2018-05: INCORRECT FOREIGN CURRENCY TRANSLATIONS

Deficiency and Noncompliance

Condition: DAI's procedures included translation of transactions denominated in a foreign currency based on the exchange rate in effect as of the date of its most recent currency conversion. DAI did not use the date of the transaction. Such an approach is not in alignment with generally accepted accounting principles ("GAAP").

We tested 24 transactions translated from a foreign currency to DAI's functional currency (USD) for reasonableness and alignment with GAAP. We applied OANDA² as a baseline for assessing reasonableness due to OANDA being a commonly used and accepted source of exchange rate data. We noted DAI's rates were reasonable; however, use of rates based on a date other than the transaction date resulted in higher costs being charged to the Government than expected when appropriately applying Accounting Standards Codification ("ASC") Topic 830. Accordingly, the net overcharge amount of \$6,634 is in question.

Criteria: The contract cost principles contained within 48 CFR Part 31 includes the following requirement:

FAR 31.201-2, *Determining allowability*, states:

- (a) A cost is allowable only when the cost complies with all of the following requirements:
 - (1) Reasonableness.
 - (2) Allocability.
 - (3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances.
 - (4) Terms of the contract.
 - (5) Any limitations set forth in this subpart.

FAR 31.201-2(c) further states, "When contractor accounting practices are inconsistent with this subpart 31.2, costs resulting from such inconsistent practices in excess of the amount that would have resulted from using practices consistent with this subpart are unallowable."

ASC Topic 830, Foreign Currency Matters, states, "At the date a foreign currency transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction shall be measured initially in the functional currency of the recording entity by use of the exchange rate in effect at that date."

The ASC defines "transaction date" as:

The date at which a transaction (for example, a sale or purchase of merchandise or services) is recorded in accounting records in conformity with generally accepted accounting principles (GAAP). A long-term commitment may have more than one transaction date (for example, the due date of each progress payment under a construction contract is an anticipated transaction date).

DAI's *Field Expense Reporting & Oracle: A Guide for the Field* states, "The Field uses the exchange rate obtained from their financial institution at the time of changing US Dollars to the local currency. Normally, this exchange rate is indicated on the bank statements. The Field uses this exchange rate for all transactions until more US dollars are exchanged for local currency. If a new rate is obtained, the Field should use this new rate going forward...."

Questioned costs: \$6,634

² <https://www.oanda.com>

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

Effect: DAI overcharged the Government by \$6,634. The procedural misapplication of GAAP for foreign currency translation increases the likelihood the Government will continue to be improperly charged.

Cause: Management did not establish an adequate process to detect and correct the improper application of ASC Topic 830. In addition, management indicated that it uses the 'First In First Out' (FIFO) basis for currency translations based on USAID guidance issued for the New Partners Initiative Technical Assistance Project ("NuPITA").

Recommendation: Crowe recommends that DAI:

1. Reimburse the Government \$6,634 or otherwise produce documentation demonstrating DAI complied with the provisions of ASC Topic 830.
2. Design, develop, and implement a formal periodic supervisory audit process assessing the accuracy of its currency translations to determine whether there are overcharges to the Government.
3. Revise its written policy to be in accordance with GAAP.

**Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017**

FINDING 2018-06: MATERIAL MISSTATEMENTS AND OMISSIONS IN THE SPECIAL PURPOSE FINANCIAL STATEMENT (“SPFS”)

Material Weakness

Condition: During our testing of the SPFS provided for audit, we noted that DAI failed to include the revenue and balance accounts required by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”).

DAI subsequently modified the SPFS to incorporate the revenue and balance accounts. We tested each of the three revisions to the SPFS and noted the amounts reported did not agree to the source data in the report of reimbursements provided by DAI. Whereas DAI indicated that the SPFS was prepared on the cash basis, revenues were expected to agree to audit period receipts, appearing on the report of reimbursements. We also identified differences in the balance accounts reported. DAI provided a third revision of the SPFS in response to our request, which corrected the material misstatements in the revenue and balance accounts on the SPFS.

See the following table, which summarizes differences between the four versions of the SPFS:

Version	Original	Revision 1	Revision 2	Final Version
Revenue	Not reported	\$ 32,957,085	\$ 30,620,133	\$ 31,990,697
Costs incurred	\$ 31,990,697	\$ 30,233,588	\$ 30,233,588	\$ 30,233,588
Balance	Not reported	\$ 966,388	\$ (1,370,564)	\$ 0

Criteria: DAI’s ethics and business conduct policy states, “DAI’s policies, procedures, and professional management of staff are designed to minimize vulnerability to fraud in financial transactions, results reporting, grant awards, and the procurement of goods and services.”

SIGAR requires presentation of revenues received, costs incurred, and balance for the period under audit.

Questioned Costs: None

Effect: Failure to exercise adequate oversight and review of SPFS increases the likelihood that the SPFS could inadvertently mislead readers and result in their reliance on inaccurate or otherwise incomplete data.

Cause: Management failed to exercise proper oversight and review of the SPFS provided for audit.

Recommendation: We recommend DAI provide training to personnel responsible for preparing and reviewing the SPFS to ensure those individuals understand the SPFS presentation requirements and to facilitate the reliability of DAI’s financial reporting.

**Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017**

FINDING 2018-07: EVIDENCE OF GRANTEE MONITORING NOT PROVIDED

Significant Deficiency and Noncompliance

Condition: Crowe selected a sample of 42 grants, totaling \$2,362,111, from a population of 140 grants, totaling \$6,020,910. To assess whether DAI implemented grantee-monitoring procedures, we requested DAI’s GUC Manual. We identified three grants where DAI did not follow its grant-monitoring procedures during our review of all the documentation provided by management:

Grant No.	Comments
G-MAZ-116	The documentation provided by DAI did not directly link to the sampled grant or the implementer (Social Development and Better for Afghanistan Organization). Management had previously provided documentation for an incorrect grant (G-MAZ-033). The supporting documentation provided for monitoring was consistent with G-MAZ-033.
G-MAZ-042	Management indicated the documentation being provided was for a site visit related to G-MAZ-042; however, the actual documentation was a progress report for grant G-MAZ-043.
G-MAZ-135	The documentation provided pertained to a training of farmers event rather than the monitoring or delivery/ongoing appropriate use of items provided under the in-kind grant selected in our sample.

In consideration of the matters noted above, Crowe did not consider the information provided to represent sufficient, appropriate audit evidence to demonstrate DAI monitored the three grants in question,

Criteria: DAI’s GUC Manual, Section 7.4, “Monitoring and Evaluation,” states:

RADP-North will use a variety of mechanisms to monitor grantees’ performance, including evaluating end-of-activity results, conducting site visits of activities underway, and reviewing periodic reports. Grantees are required to report data to feed into RADP-North’s Performance Monitoring Plan.

Questioned Costs: None

Effect: Expending Federal funds without appropriate oversight could lead to grantees and DAI claiming unallowable costs, increasing the likelihood of improper charges to the Government.

Cause: DAI indicated the grant references within its documents may contain references to incorrect grant numbers due to clerical error.

Recommendation: Crowe recommends that DAI:

1. Implement a process that includes reviewing all monitoring documentation prior to completion to ensure that documentation errors are corrected; and
2. We further recommend – to the extent the grants in question are still active – DAI conduct additional monitoring and document it, accordingly.

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

FINDING 2018-08: FAILURE TO ENSURE GRANTEES WERE AUDITED AS REQUIRED

Significant Deficiency and Noncompliance

Condition: As a component of our audit, we inquired of management regarding the process DAI executes to determine whether DAI's grantees are audited in accordance with USAID's guidelines. DAI indicated that none of its grantees triggered the audit based on the value of grants DAI awarded. However, USAID's audit requirement is triggered by total expenditures a grantee makes under all of its USAID awards, not just the value of the USAID grants DAI has awarded to the grantee.

In addition, with regard to one grantee, Global Partners-Afghanistan, the audit report provided to us did not comply with USAID's audit guidelines. Specifically, the audit did not contain the reports on internal control and compliance required by USAID's guidelines and also did not indicate the audit was conducted in accordance with *Government Auditing Standards*. Therefore, the audit does not meet USAID's audit guidelines.

Criteria: Section H.47, *Grants Under Contract*, in DAI's contract states: "The contractor shall comply with all applicable USAID policies, procedures, regulations, and provisions set forth in the contract and ensure sufficient time to complete grantee audits."

ADS 591.3.2, *Audits of Foreign Organizations and Host Government Entities*: Requires foreign organizations receiving USAID awards directly or through a prime contractor or recipient to be audited in accordance with 2 CFR Part 200, Subpart F, with reference to the USAID Financial Audit Guidelines and the Standard Provisions for Non-U.S. Nongovernmental Organizations. ADS 591.3 states that audits are required to be conducted of foreign nonprofit organizations, host governments, and subrecipients expending \$750,000 or more in USAID awards during their fiscal year. The *USAID Financial Audit Guidelines* require audits to be conducted if total USAID expenditures exceed \$300,000.

Questioned Costs: None

Effect: DAI may be unaware of errors impacting its financial records, if DAI uses the incorrect criteria for determining which of its grantees should be audited. Further, there is an increased risk of DAI closing a grant without providing adequate time for the completion of an audit.

Cause: DAI misunderstood USAID's criteria to determine when their grantees should be audited and, as a result, improperly designed their process for identifying grantees that require an audit.

Recommendation: We recommend DAI:

1. Update the Grants Under Contract Manual to reflect the correct criteria for a USAID audit. The manual update should also include conducting an annual survey of grantees to identify which grantees may have triggered the audit requirement. The survey should cover costs incurred during the audit period and also be implemented on a go-forward basis.
2. Require personnel responsible for managing and monitoring grants to undergo training pertaining to the implementation of ADS 591.
3. Require Global Partners-Afghanistan to coordinate with its external auditor to conduct the additional actions necessary for its audit to comply with USAID's audit guidelines.

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

FINDING 2018-09: UNNECESSARY COST INCURRED FOR PARTICIPANT TRAINING

Deficiency and Noncompliance

Condition: During our testing of 101 transactions, we identified one \$447 transaction described as follows in the source documentation: "960 Pcs Cake & Juice for participants of VFU's Capacity building & training to farmers ToF." We noted the following based on our analysis of the documentation supporting the transaction and management's response to inquiries regarding the support:

- Documentation indicating why the cost was considered necessary for the purpose of executing program scope was not provided;
- Management indicated the costs were allowable as a result of the cost being related to participant training in accordance with ADS 253. However, training participants were local country personnel which do not meet the definition of "participants" as per the contract with USAID; and
- A search of the transaction support and contract for evidence of USAID's prior written approval was conducted in the event USAID authorized additional costs for meal expenses or refreshments during the specific training event. No written approval support was located.

Criteria: Section I.12 of DAI's contract with USAID incorporates AIDAR 752.7019, *Participant Training*. The provision states:

- (a) Definitions.
 - (1) Participant training is the training of any foreign national outside of his or her home country, using USAID funds.
 - (2) A Participant is any foreign national being trained under this contract outside of his or her country.

Pursuant to FAR 31.201-4, *Determining Allocability*, states:

A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it—

- (a) Is incurred specifically for the contract;
- (b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or
- (c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.

FAR 31.201-3(b), *Determining Reasonableness*, states:

What is reasonable depends upon a variety of considerations and circumstances, including -

- (1) Whether it is the type of cost generally recognized as ordinary and necessary for the conduct of the contractor's business or the contract performance;
- (2) Generally accepted sound business practices, arm's length bargaining, and Federal and State laws and regulations;
- (3) The contractor's responsibilities to the Government, other customers, the owners of the business, employees, and the public at large; and
- (4) Any significant deviations from the contractor's established practices.

Section I: Schedule of Findings and Questioned Costs
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017

Questioned Costs: \$447

Effect: The Government may have been charged for unnecessary costs that did not benefit the program objectives and could have been utilized for other program activities.

Cause: DAI incorrectly classified the attendees as participants.

Recommendation: We recommend DAI either reimburse the Government \$447, or otherwise produce documentation demonstrating the individuals attending the participant training are appropriately classified as participants.

**Section II: Summary Schedule of Prior Audit, Review and Assessment Findings
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017**

Crowe reviewed three prior audit, review, or assessment reports. Two of the reports contained findings and recommendations that may be direct and material to the Special Purpose Financial Statement or other financial information significant to the audit objectives. The reports containing findings follow:

1. SIGAR 18-61 Financial Audit, July 2018, USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives, Inc.
2. Close Out Financial Audit, May 2017, Close Out and Financial Audits of Schedule of Costs Incurred in Afghanistan by Development Alternatives, Inc.

We have summarized the results of our procedures below and on the following pages.

FINDING NO. 2018-01: MISSING OR INSUFFICIENT SOURCE DOCUMENTATION TO SUPPORT INCURRED FIELD OFFICE LABOR EXPENSES

Report: SIGAR 18-61 Financial Audit, USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives, Inc. for the period from July 15, 2010 through February 25, 2015, dated July 18, 2018.

Issue: DAI did not retain documentation for seven of 161 field office labor samples selected for testing. \$4,431 in questioned costs were reported.

Status: DAI provided supporting documentation to USAID subsequent to the audit resolving the issue and eliminating the questioned costs. In addition, we conducted testing of labor charges and did not identify any instances in which supporting documentation for labor charges was not retained. This matter is not repeated.

FINDING NO. 2018-02: MISSING OR INSUFFICIENT SOURCE DOCUMENTATION TO SUPPORT INCURRED EQUIPMENT AND SUPPLY EXPENSES

Report: SIGAR 18-61 Financial Audit, USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives, Inc. for the period from July 15, 2010 through February 25, 2015, dated July 18, 2018.

Issue: DAI did not retain supporting documentation for three of 46 equipment and supply samples. \$7,169 in costs were questioned.

Status: We obtained copies of DAI's personnel training regarding maintenance of supporting documentation and considered them to adequately address competitive bidding. We also obtained evidence of DAI's return of \$7,169 in questioned costs to USAID. In addition, we conducted testing of a sample of equipment and property items and did not identify any instances in which supporting documentation was not retained. This matter is not repeated.

**Section II: Summary Schedule of Prior Audit, Review and Assessment Findings
Regional Agriculture Development Program (RADP North), Contract No. AID-306-C-14-00002
For the period from January 1, 2016 through December 31, 2017**

FINDING NO. 2018-03: LACK OF EVIDENCE OF COMPETITIVE BIDDING

Report: SIGAR 18-61 Financial Audit, USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives, Inc. for the period from July 15, 2010 through February 25, 2015, dated July 18, 2018.

Issue: DAI did not provide sufficient documentation to support that competitive bidding procedures were completed for three of 46 equipment and supply transactions. \$9,774 in costs were questioned.

Status: We obtained and reviewed evidence of personnel training related to competitive bidding, and DAI's return of \$9,774 in questioned costs to USAID. We also obtained copies of DAI's procurement policies and procedures and considered them to adequately address competitive bidding. In addition, we conducted testing of a sample of procurements and did not identify any instances of inadequate support for competitive bidding. This matter is not repeated.

FINDING NO. 5.4: TIMESHEETS WERE COMPLETED IN ADVANCE

Report: Close Out Financial Audit, Close Out and Financial Audits of Schedule of Costs Incurred in Afghanistan by Development Alternatives, Inc., dated September 26, 2017.

Issue: Two employee timesheets were completed in advance of the working days covering the timesheets.

Status: We obtained and reviewed evidence of personnel training related to timesheet completion. In addition, during our testing of labor charges, we did not identify any instances in which timesheets were completed in advance of the work being performed. This matter is not repeated.

FINDING NO. 6.1: PROOF OF PAYMENT WAS UNSUPPORTED

Report: Close Out Financial Audit, Close Out and Financial Audits of Schedule of Costs Incurred in Afghanistan by Development Alternatives, Inc., dated September 26, 2017.

Issue: DAI did not provide documentation showing that five transactions totaling \$6,029 were paid.

Status: In the audit report, the auditors acknowledged receipt of the supporting documentation, and no questioned costs were required to be returned to the Government. During our testing of transactions, we requested and obtained evidence that each cost charged to the contract was paid. No additional procedures were considered necessary regarding this finding. This matter is not repeated.

Appendix A: Views of Responsible Officials



April 26, 2019

Crowe LLP
1455 Pennsylvania Avenue N.W, Suite 700
Washington DC 2005

Subject: DAI Global LLC's Management Response to the Special Purpose Financial Statement audit of the United States Agency for International Development (USAID) funded Regional Agricultural Development Program in Northern Afghanistan (RADP-N) Contract No. AID-306-C-14-00002, for the period January 1, 2016 through December 31, 2017

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

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

FINDING 2018-01: NONCOMPLIANCE WITH THE NICRA G&A BASE OF APPLICATION

Material Weakness and Noncompliance

Condition: During our testing of 101 labor, subcontractor, fringe benefit, grants-under-contract, equipment, and supplies transactions, we noted DAI Global, LLC ("DAI") assessed its general and administrative ("G&A") rate against pass through other direct costs, which is inconsistent with the provisions of the Negotiated Indirect Cost Rate Agreement ("NICRA"). Pass through other direct costs are those costs that are directly allocable to an award, other than direct labor and direct materials and that are incurred by an entity receiving funds from DAI. Upon identification of the matter, we inquired of USAID to confirm the definition of "pass through" entities within the context of DAI's NICRA. USAID confirmed that subcontracts are included within the definition of "pass through." Therefore, we reviewed the population of costs incurred during our audit period and identified \$4,529,639 in subcontractor other direct costs burdened with the G&A rate. The resultant amount charged was \$543,104, which is in question.

Criteria: Section B.6, Indirect Costs, in DAI's contract states, "Contractor's most recent Negotiated Indirect Cost Rate Agreement (NICRA) with USAID is automatically incorporated by reference into this contract as required by AIDAR 742.770."

DAI's NICRA dated August 20, 2015, presented DAI's indirect cost rates in effect from January 1, 2015, until such a time that the agreement is amended. The agreement presents the following as the base of application for the G&A rate: "(d) Total costs excluding G&A costs and pass-through other direct costs."

FAR 31.201-2(a), Determining allowability, states, "A cost is allowable only when the cost complies with all of the following requirements:

- (1) Reasonableness.
- (2) Allocability.
- (3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances.
- (4) Terms of the contract.
- (5) Any limitations set forth in [Subpart 31.2]."

Questioned costs: \$543,104

Effect: The Government reimbursed DAI more funds than required, thus reducing the amount of funds available for programmatic purposes.

Cause: Per discussion with DAI, management believed the language in the NICRA presenting the base of application for the G&A rate was a typographical error and only grants were to be excluded from the burden. Management decided to administer the charges based on their understanding and interpretation rather than the requirements presented in the NICRA and the contract.

Recommendation: We recommend DAI:

1. Either reimburse the Government \$543,104, or produce written documentation demonstrating USAID authorized DAI to deviate from the language in the NICRA during the audit period.
2. Conduct training regarding proper application of the NICRA.

DAI RESPONSE TO FINDING 2018-01: NONCOMPLIANCE WITH THE NICRA G&A BASE OF APPLICATION

DAI does not concur with the auditor's position that subcontractor costs are classified as pass through costs and therefore not eligible for application of an approved General and Administrative allocation.

Contrary to the above position, and as demonstrated to the auditor, DAI's incurred cost submissions define only grant costs as "pass-through other direct costs". This basis of application of indirect rates was audited in DAI's Incurred Cost Proposal for the period 2013-2015 (effective during the subject audit period for RADP-N) and authorized by USAID. Note (d) of the Base of Application, which in previous NICRA letters referred to "pass-through other direct costs", was updated to reflect the correct stipulation, "pass-through grants". The revised NICRA letter, signed by USAID in July 2018, removed any ambiguity regarding the application of G&A rates. The only costs excluded from the G&A base of application are grant costs. The NICRA rates in this letter retroactively apply to costs incurred during the audit period (January 2016 through December 2017).

No applicable regulation includes subcontractor ODCs in the pass-through cost category, nor was such a determination made by the USAID CO at the time of award. Furthermore, both subcontractor ODCs and G&A applied to subcontractor ODCs were included in the RADP-N proposal budget, reviewed and approved by USAID at the time of award and incorporated into the prime contract. DAI therefore did not deviate from the application of indirect rates set out in the NICRA letter, our indirect cost proposal or the contract.

Per the definition provided by the Auditor, ineligible costs are those that are explicitly questioned because they are unreasonable; prohibited by the audited contract or applicable laws and regulations; or are unrelated to the award. None of the above conditions apply to G&A costs assessed on subcontractor ODCs. It is therefore unclear why the Auditor decided to question these costs as ineligible.

DAI therefore concludes that G&A charged on subcontractor ODCs is an allowable, eligible cost and disagrees with the questioning of \$543,104 on these grounds.

FINDING 2018-02: FAILURE TO OBTAIN USAID APPROVAL PRIOR TO EXECUTING GRANTS UNDER CONTRACT

Significant Deficiency and Noncompliance

Condition: We selected 42 of 140 (30%) grants for testing. During our procedures, we identified 11 grants executed by DAI for which DAI did not provide evidence of USAID's prior written approval.

On November 23, 2015, DAI modified its RADP North Grants Under Contract Manual ("the GUC Manual") by eliminating USAID's written approval, by either the Contracting Officer Representative or Contracting Officer ("CO"), for grants at or below \$100,000. DAI provided evidence of the Contracting Officer's approval of the revised GUC Manual dated January 7, 2016; however, the contract terms were not modified to remove the written USAID requirement. Two of the eleven grants (identified below) for which evidence of approval was not provided were executed prior to January 7, 2016; \$31,469 in costs were incurred for the two grants. Due to the CO having approved the revised GUC Manual and per our discussion with USAID, costs incurred for the remaining nine

grants are not in question, as they were valued less than \$100,000 and were issued on or after January 7, 2016.

Criteria: Section H.47, Grants Under Contract, in DAI’s contract states:

USAID Approval of Grantees. The Contractor shall coordinate with USAID with respect to the establishment of selection criteria for grantees, such that USAID shall have substantial involvement in the establishment of the selection criteria. Before awarding a proposed grant, the Contractor must receive the prior written approval of USAID, including USAID approval as to (1) the identity of the proposed grantee, (2) the amount of the proposed grant, and (3) the nature of the grant activities.

Section 2.6, Roles and Responsibilities, of DAI’s USAID-approved GUC Manual states that the Chief of Party signs/awards the grant agreement upon approval from the USAID Contracting Officer Representative (“COR”).

Section 2.6, Roles and Responsibilities, of DAI’s updated USAID-approved GUC Manual, approved in January of 2016, states that the USAID Contracting Officer will provide approval on grants over \$150,000 and COR approval is required for those grants over \$100,000 and below \$149,999.

Questioned costs: \$31,469

Effect: DAI’s failure to follow the stipulated terms of the contract with respect to the threshold for USAID approval for grants may have resulted in the award of federal funds to grantees USAID may consider inappropriate and for purposes that do not align with USAID’s guidance.

Cause: DAI did not conduct adequate oversight to ensure that the CO’s approval was obtained prior to implementing the revised GUC Manual’s provisions. Because the staff assumed that DAI’s revised GUC Manual, which removed USAID’s approval requirement for certain grants, was approved prior to executing grants G-MAZ-009 and G-MAZ-012, DAI failed to comply with the contract requirements.

Recommendation: We recommend DAI:

1. Locate evidence of USAID’s prior approval of the grants or otherwise reimburse the Government \$31,469;
2. Review financial records for disbursements occurring under the grants in question that may have occurred in subsequent periods and disclose such disbursements to USAID; and
3. Develop and document a procedure regarding GUC Manual revisions. The procedure should include expectations that revisions are effective after receipt of USAID’s formal written approval and the process for communicating effective dates to impacted personnel.

DAI RESPONSE TO FINDING 2018-02: FAILURE TO OBTAIN USAID APPROVAL PRIOR TO EXECUTING GRANTS UNDER CONTRACT

DAI disagrees with the Auditor's assertion that grants G-MAZ-009 and G-MAZ-012 were issued without prior approval from USAID, that DAI failed to comply with contractual grant approval requirements and that this constitutes sufficient grounds for the questioning of \$31,469 in disbursements to grantees.

Per the approved RADP-N grants manual, USAID approval of grants is required in accordance with the following thresholds:

- Grants up to \$50,000 only require RADP-N project-level approval, by the COP. While COR approval is not required, a summary of the grant activity will be sent to COR for information prior to award.
- Grants over \$50,000 and up to \$100,000 are submitted for no objection of the COR. Should the COR not provide any objections within 48 hours of RADP-N submitting the request; the grant agreement will proceed for signature.
- Grants over \$100,000 and below \$149,999 require formal COR approval
- Grants over \$150,000 require USAID CO approval.

Fixed-Amount Award G-MAZ-009, in total amount of AFA 1,128,999 (ca. \$16,964), was issued to grantee Zam Zam Seed Production Company on 17 December 2015.

Fixed-Amount Award G-MAZ-012, in total amount of AFA 979,750 (ca. \$14,772), was issued to grantee Shirabad Seed Company on 16 December 2015.

Prior to obtaining approval for the GUC Manual from USAID and the establishment of approval thresholds, DAI requested COR approval of all grant awards, regardless of ceiling value. This approval was obtained for grants G-MAZ-009 and G-MAZ-012 from RADP-N COR Sardar Mohammad Safa on 13 December 2015. Please refer to Attachment A – COR Approval for G-MAZ-009 and G-MAZ-012 for details.

Given USAID's approval of the grants manual and unless otherwise instructed by USAID, we do not deem it necessary to alter the contract terms to remove the requirement of written approval for all grants. USAID approval for grants constitutes appropriateness for grant funding for purposes that align with USAID's guidance. We therefore consider the matter closed – no further action is required.

FINDING 2018-03: UNCERTIFIED AND IMPROPERLY FORMATTED ANNUAL INVENTORY OF GOVERNMENT PROPERTY

Material Weakness and Noncompliance

Condition: We requested and obtained a copy of the Annual Inventory of Government Property submitted to USAID by DAI for 2016 and 2017. The inventories did not contain the required attestation statement. In addition, the inventories were not in the same format as that required by AIDAR 752.245-70 and excluded required information, resulting in an inaccurate inventory submission. See Appendix C for the USAID-required format and Appendix D for an excerpt of DAI's 2016 inventory report.

We noted the following during our review of the annual inventories:

- DAI did not provide the average age of the contractor-held property.
- The 2017 inventory contained 447 items with a total purchase price of \$1,528,267 while the 2016 inventory included 3,971 items with a total purchase price of \$1,711,305. Failure to include all required items in the inventory year-over-year results in the potential for USAID to be unaware of certain property dispositions.

Criteria: DAI’s Policy 9, Procurement and Inventory Management, Procedure 9.6, “Inventory Management, “states:

4.51 Projects shall conduct a physical inspection/audit of all property and equipment (even items with grantees) on a minimum of an annual basis and report to DAI/W Office of Administration or client per the terms of the contract.

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

Section H.15 of DAI’s contract incorporates the provisions of AIDAR 752.245-70, Government property—USAID Reporting Requirements. The provision states, “[DAI] will submit an annual report on all non-expendable property in a form and manner acceptable to USAID substantially [as shown in the contract].”

In addition, Section H.15 requires the annual inventory submission include the following attestation statement: PROPERTY INVENTORY VERIFICATIONS

I attest that (1) physical inventories of Government property are taken not less frequently than annually; (2) the accountability records maintained for Government property in our possession are in agreement with such inventories; and (3) the total of the detailed accountability records maintained agrees with the property value shown opposite line C above, and the estimated average age of each category of property is as cited opposite line D above. Authorized Signature.

Questioned costs: None

Effect: Inventories submitted by DAI may be utilized by the Government to help track federally owned assets. Errors and/or omissions in the inventories may result in the Government relying on inaccurate or incomplete information.

In addition, inventories may be utilized by Government personnel as an input to their federal financial statement development process. Therefore, there is a risk that federal financial statements may be adversely impacted as a result of improperly formatted or erroneous inventories.

Cause: The format used by DAI for inventory submission was not in compliance with the contractual requirements. Additionally, we found the employees charged with preparing and reviewing this submission did not ensure it conformed with requirements, and/or were unaware of the requirements.

Recommendation: We recommend DAI:

1. Provide training to the Chief of Party, and other responsible officials, regarding the required annual inventory of Government property.
2. Design, document, and implement a procedure requiring a review of the annual inventory of Government property by a member of senior management prior to submission to USAID.
3. Include an attestation statement with all annual inventory submissions.

DAI MANAGEMENT RESPONSE TO FINDING 2018-03: UNCERTIFIED AND IMPROPERLY FORMATTED ANNUAL INVENTORY OF GOVERNMENT PROPERTY

DAI concurs with the Auditor's finding on the omission of the required attestation statement in the Annual Inventory of Government Property and partially concurs with the finding on the incorrect format used for the inventory. We disagree with the Auditor's assessment that the inventory submission is inaccurate or missing key elements of information.

Transaction dates and amounts for items of non-expendable property are tracked through the Project's General Ledger and inventory tracker, the latter of which is submitted to USAID as part of the Annual Inventory of Government Property. Purchase dates for all items of non-expendable property are included in the inventory. Additionally, we have provided to the auditors a reconciliation between the General Ledger and inventory tracker spreadsheet.

DAI management has instructed the RADP-N field office to use the format required by AIDAR 752.245-70 and include the inventory verifications attestation statement in future submissions to the USAID Mission.

FINDING 2018-04: FAILURE TO REPORT LOSS OF GOVERNMENT PROPERTY TO USAID TIMELY

Deficiency and Noncompliance

Condition: During our physical inspection of 40 Government property items conducted in Afghanistan, we found two laptops were damaged and not in proper working condition. Per discussion with DAI, reports of this Government property loss had not been created and provided to USAID as required by FAR 52.245-1.

Criteria: DAI's Policy 9, Governing Policy on Procurement and Inventory Management, Procedure 9.6, "Inventory Management," assigns the Facilities & Logistics Manager with responsibility to "notify vendor, DAI/W, or the client (if items are transferred directly

from the client or another project) of discrepancies in quantities or types of items received or of damaged goods, as soon as possible.”

FAR 52.245-1(f)(vi), Government Property, states, “The Contractor shall have a process to create and provide reports of discrepancies, loss of Government property, physical inventory results, audits and self-assessments, corrective actions, and other property-related reports as directed by the Contracting Officer.”

FAR 52.245-1(f)(vii), Government Property, requires the Contractor to establish “...a process to enable the prompt recognition, investigation, disclosure and reporting of loss of Government property, including losses that occur at subcontractor or alternate site locations.” Incidents of property loss are required to be reported to the Government as soon as the facts become known.

FAR 52.245-1(a), Government Property, defines “Loss of Government property,” as follows:

Unintended, unforeseen or accidental loss, damage or destruction to Government property that reduces the Government’s expected economic benefits of the property. Loss of Government property does not include purposeful destructive testing, obsolescence, normal wear and tear or manufacturing defects. Loss of Government property includes, but is not limited to—

- (1) Items that cannot be found after a reasonable search;
- (2) Theft;
- (3) Damage resulting in unexpected harm to property requiring repair to restore the item to usable condition; or
- (4) Destruction resulting from incidents that render the item useless for its intended purpose or beyond economical repair.

Questioned costs: \$3,271

Effect: DAI’s failure to promptly notify the Government of damaged property items prevented the government’s timely recognition and recordation of this property loss in their contract and accounting records.

Cause: DAI’s Policy 9 did not require the prompt notification to the Government of the damaged property items. Additionally, DAI incorrectly assumed the company is permitted to wait until submission of the next annual Government property report to notify the Government of the damage to the laptops.

Recommendation: We recommend DAI:

1. Provide training to personnel regarding the reporting requirements applicable to the damaged laptops.
2. Reimburse the Government \$3,271 or otherwise obtain relief of responsibility from the Government.

3. Amend their policy to include language that specifies what is considered to be “prompt” recognition, disclosure, and reporting of lost, stolen, damaged, or destroyed Government property.

DAI MANAGEMENT RESPONSE TO FINDING 2018-04: FAILURE TO REPORT LOSS OF GOVERNMENT PROPERTY TO USAID TIMELY

DAI concurs with the Auditor’s finding that we failed to inform USAID of the two damaged laptops. However, we strongly disagree with the assertion that this oversight constitutes sufficient grounds for the questioning of related non-expendable property costs.

DAI maintains a record of all non-expendable property and updates the status of lost, disposed and broken items on an ongoing basis. All such items are reported to USAID at the time of submission of the annual report on government property in the contractor’s custody. DAI management will revisit the text of Field Operating Policy #9 – Procurement and Inventory Management to ensure full compliance with the requirements of 48 CFR § 52.245-1 - Government Property.

Per 48 CFR § 52.245-1 - Government Property, the Contractor shall not be liable for the loss of Government property acquired under the contract unless a) the risk is covered by insurance or the Contractor is otherwise reimbursed, b) the loss resulted from willful misconduct of Contractor’s managerial staff, or c) the Government’s assumption of risk for loss of property has been revoked in writing. None of the above conditions apply. The laptops ceased to work due to normal wear and tear from regular use. We therefore fully disagree with the questioned cost in the amount of \$3,271 as a result of damage to two Project laptops.

FINDING 2018-05: INCORRECT FOREIGN CURRENCY TRANSLATIONS

Deficiency and Noncompliance

Condition: DAI's procedures included translation of transactions denominated in a foreign currency based on the exchange rate in effect as of the date of its most recent currency conversion. DAI did not use the date of the transaction. Such an approach is not in alignment with generally accepted accounting principles (“GAAP”).

We tested 24 transactions translated from a foreign currency to DAI's functional currency (USD) for reasonableness and alignment with GAAP. We applied OANDA2 as a baseline for assessing reasonableness due to OANDA being a commonly used and accepted source of exchange rate data. We noted DAI's rates were reasonable; however, use of rates based on a date other than the transaction date resulted in higher costs being charged to the Government than expected when appropriately applying Accounting Standards Codification (“ASC”) Topic 830. Accordingly, the net overcharge amount of \$6,634 is in question.

Criteria: The contract cost principles contained within 48 CFR Part 31 includes the following requirement: FAR 31.201–2, Determining allowability, states:

(a) A cost is allowable only when the cost complies with all of the following requirements:

- (1) Reasonableness.
- (2) Allocability.
- (3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances.
- (4) Terms of the contract.
- (5) Any limitations set forth in this subpart.

FAR 31.201-2(c) further states, “When contractor accounting practices are inconsistent with this subpart 31.2, costs resulting from such inconsistent practices in excess of the amount that would have resulted from using practices consistent with this subpart are unallowable.”

ASC Topic 830, Foreign Currency Matters, states, “At the date a foreign currency transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction shall be measured initially in the functional currency of the recording entity by use of the exchange rate in effect at that date.”

The ASC defines “transaction date” as:

The date at which a transaction (for example, a sale or purchase of merchandise or services) is recorded in accounting records in conformity with generally accepted accounting principles (GAAP). A long-term commitment may have more than one transaction date (for example, the due date of each progress payment under a construction contract is an anticipated transaction date).

DAI’s Field Expense Reporting & Oracle: A Guide for the Field states, “The Field uses the exchange rate obtained from their financial institution at the time of changing US Dollars to the local currency. Normally, this exchange rate is indicated on the bank statements. The Field uses this exchange rate for all transactions until more US dollars are exchanged for local currency. If a new rate is obtained, the Field should use this new rate going forward...” 2 <https://www.oanda.com>

Questioned costs: \$6,634

Effect: DAI overcharged the Government by \$6,634. The procedural misapplication of GAAP for foreign currency translation increases the likelihood the Government will continue to be improperly charged.

Cause: Management did not establish an adequate process to detect and correct the improper application of ASC Topic 830. In addition, management indicated that it uses

the 'First In First Out' (FIFO) basis for currency translations based on USAID guidance issued for the New Partners Initiative Technical Assistance Project ("NuPITA").

Recommendation: Crowe recommends that DAI:

1. Reimburse the Government \$6,634 or otherwise produce documentation demonstrating DAI complied with the provisions of ASC Topic 830.
2. Design, develop, and implement a formal periodic supervisory audit process assessing the accuracy of its currency translations to determine whether there are overcharges to the Government.
3. Revise its written policy to be in accordance with GAAP.

DAI MANAGEMENT RESPONSE TO FINDING 2018-05: INCORRECT FOREIGN CURRENCY TRANSLATIONS

DAI does not concur with the auditor's assertion.

DAI funds field office operations for USAID contracts with transfers from our US bank accounts, denominated in USD. Local procurement clauses of the 'Required as Applicable' Standard Provision #8 for non-US organizations; and 22CFR 228.40 for US-based organizations require that payments for goods and services supplied by local businesses, dealers, or producers be made in the local currency of the cooperating country.

DAI Field Offices enter into business transactions denominated in the domicile currency of the country where each project operates. Each DAI Field Office converts transfers received from DAI Home Office into local currency at the exchange rate set by their local bank. DAI uses this exchange rate to convert billable expenses in local currency to their USD equivalent. This exchange rate remains in effect until the next conversion of USD to local currency. This approach is consistent with the first-in-first-out (FIFO) method described in USAID's Foreign Currency Translation Guidelines (already provided to the Auditor). Foreign exchange gains and losses are not explicitly listed as unallowable costs in Subpart 31.2 - Contracts with Commercial Organizations. DAI does not bill exchange rate gains/losses to USAID.

Per ASC 830-10-55-10, companies are allowed flexibility in applying the standards in this Subtopic if literal application requires a degree of detail in record keeping and computations that could be onerous/burdensome, as well as unnecessary to produce reasonable approximations of the results. Accordingly, it is acceptable to use averages or other time- and effort-saving methods to approximate the results of detailed calculations. DAI notes that Crowe has reviewed the exchange rates used for foreign currency transaction conversion (determined using the FIFO method) and deemed them reasonable. We therefore maintain that the FIFO method is an acceptable substitute to detailed daily exchange rate calculations. Additionally, the Auditor has audited other USAID contractors using the FIFO currency exchange method (please refer to audit No SIGAR 14-29-FA, contracted by SIGAR and managed by Crowe LLP)

and found it to be acceptable and in accordance with GAAP. It is not clear why DAI is being singled out for using the same approach.

Given that the FIFO approach is not prohibited by FAR Subpart 31.2, is recommended by USAID's Foreign Currency Translation Guidelines, is acceptable under ASC 8310, and approach has been tested and affirmed by the auditor, we maintain that this conversion method is adequate, and disagree with the assertion that transactions denominated in foreign currency are translated incorrectly.

FINDING 2018-06: MATERIAL MISSTATEMENTS AND OMISSIONS IN THE SPECIAL PURPOSE FINANCIAL STATEMENT ("SPFS")

Material Weakness

Condition: During our testing of the SPFS provided for audit, we noted that DAI failed to include the revenue and balance accounts required by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR").

DAI subsequently modified the SPFS to incorporate the revenue and balance accounts. We tested each of the three revisions to the SPFS and noted the amounts reported did not agree to the source data in the report of reimbursements provided by DAI. Whereas DAI indicated that the SPFS was prepared on the cash basis, revenues were expected to agree to audit period receipts, appearing on the report of reimbursements. We also identified differences in the balance accounts reported. DAI provided a third revision of the SPFS in response to our request, which corrected the material misstatements in the revenue and balance accounts on the SPFS.

Criteria: DAI's ethics and business conduct policy states, "DAI's policies, procedures, and professional management of staff are designed to minimize vulnerability to fraud in financial transactions, results reporting, grant awards, and the procurement of goods and services."

SIGAR requires presentation of revenues received, costs incurred, and balance for the period under audit.

Questioned Costs: None

Effect: Failure to exercise adequate oversight and review of SPFS increases the likelihood that the SPFS could inadvertently mislead readers and result in their reliance on inaccurate or otherwise incomplete data.

Cause: Management failed to exercise proper oversight and review of the SPFS provided for audit.

Recommendation: We recommend DAI provide training to personnel responsible for preparing and reviewing the SPFS to ensure those individuals understand the SPFS presentation requirements and to facilitate the reliability of DAI's financial reporting.

DAI MANAGEMENT RESPONSE TO FINDING 2018-06: MATERIAL MISSTATEMENTS AND OMISSIONS IN THE SPECIAL PURPOSE FINANCIAL STATEMENT (“SPFS”)

DAI will take into consideration the recommendation of the Auditor pertaining to the preparation of Special Purpose Financial Statements in accordance with SIGAR requirements. We note, however, that we do not recognize revenue at the project level, and that this format of presentation is not informative of any remaining unused and/or available funds under contract number AID-306-C-14-00002. We therefore do not consider that the finding presented by the Auditor materially impacts the reliability of DAI’s financial reporting, or increases the vulnerability of fraud in financial transactions, results reporting, grant awards, or the procurement of goods or services.

FINDING 2018-07: EVIDENCE OF GRANTEE MONITORING NOT PROVIDED

Significant Deficiency and Noncompliance

Condition: Crowe selected a sample of 42 grants, totaling \$2,362,111, from a population of 140 grants, totaling

\$6,020,910. To assess whether DAI implemented grantee-monitoring procedures, we requested DAI’s GUC Manual. We identified three grants where DAI did not follow its grant-monitoring procedures during our review of all the documentation provided by management:

Grant No.	Comments
G-MAZ-116	The documentation provided by DAI did not directly link to the sampled grant or the implementer (Social Development and Better for Afghanistan Organization). Management had previously provided documentation for an incorrect grant (G-MAZ-033). The supporting documentation provided for monitoring was consistent with G-MAZ-033.
G-MAZ-042	Management indicated the documentation being provided was for a site visit related to G- MAZ-042; however, the actual documentation was a progress report for grant
G-MAZ-043.	
G-MAZ-135	The documentation provided pertained to a training of farmers event rather than the monitoring or delivery/ongoing appropriate use of items provided under the in-kind grant selected in our sample.

In consideration of the matters noted above, Crowe did not consider the information provided to represent sufficient, appropriate audit evidence to demonstrate DAI monitored the three grants in question,

Criteria: DAI’s GUC Manual, Section 7.4, “Monitoring and Evaluation,” states:

RADP-North will use a variety of mechanisms to monitor grantees’ performance, including evaluating end-of-activity results, conducting site visits of activities underway, and reviewing periodic reports. Grantees are required to report data to feed into RADP-North’s Performance Monitoring Plan.

Questioned Costs: None

Effect: Expending Federal funds without appropriate oversight could lead to grantees and DAI claiming unallowable costs, increasing the likelihood of improper charges to the Government.

Cause: DAI indicated the grant references within its documents may contain references to incorrect grant numbers due to clerical error.

Recommendation: Crowe recommends that DAI:

1. Implement a process that includes reviewing all monitoring documentation prior to completion to ensure that documentation errors are corrected; and
2. We further recommend – to the extent the grants in question are still active – DAI conduct additional monitoring and document it, accordingly.

DAI MANAGEMENT RESPONSE TO FINDING 2018-07: EVIDENCE OF GRANTEE MONITORING NOT PROVIDED

DAI disagrees with the Auditor’s assertion that information provided did not represent sufficient audit evidence to demonstrate that DAI monitored the three grants in question and that we failed to follow our grant monitoring procedures. In all three instances, monitoring reports were provided to the Auditors for related awards made to the same grantees that tie into or build on the scope of activities of the sampled grant award. DAI maintains that these monitoring reports constitute adequate evidence of grantee monitoring.

In-kind grant G-MAZ-116 was awarded to grantee Social Development and Better Future for Afghanistan Organization (SDBFAO) in support of orchard management for stone fruits and nuts in the provinces of Balkh, Samangan and Jawzjan. The activity this grant award pertained to was designed to consist of two phases – the acquisition of materials and direct implementation (training of 48 trainers in the preparation of fruit and nut trees for harvesting). In-kind grant G-MAZ-116 covered the purchase of materials used for orchard management and training activities. DAI provided to the auditors a monitoring report for associated Fixed-Amount Award G-MAZ-133, awarded

to the same grantee (SDBFAO) for the second part of the activity – direct implementation of training events in which the materials procured under G-MAZ-116 were used. We maintain that the organization of the training of farmers under G-MAZ-133 constitutes sufficient and adequate evidence of the utilization of materials purchased under G-MAZ-116 for the same grantee - Social Development and Better Future for Afghanistan Organization.

In-kind grant G-MAZ-042 was awarded to grantee Afghanistan Almond Industry Development Organization (AAIDO) in support of grape trellising and vineyard management in the provinces of Balkh and Jawzjan. This grant award covered the procurement and transportation of components for the construction of grape trellises. As in the above example, DAI awarded AAIDO a Fixed-Amount Award, G-MAZ-043, to support the second part of the vineyard management activity. The related field progress report for G-MAZ-043, provided to the Auditor, explicitly references the trellises that were constructed under G-MAZ-042. DAI therefore maintains that we exercised adequate monitoring of the use of materials purchased under in-kind grant G-MAZ-042 to the same grantee (AAIDO).

In-kind grant G-MAZ-135 was awarded to grantee Stanikzai Seed Multiplication Livestock and Agriculture Service Company in support of melon production upgrade in the provinces of Kunduz, Baghlan and Badakshan. This grant award covered the purchase of greenhouses, materials and fertilizer for a number of melon farmers. DAI awarded a second grant, FAA G-MAZ-138, to the Afghanistan Development and Welfare Service Organization with the purpose of providing training to melon farmers and utilizing the materials procured under G-MAZ-135 to upgrade the melon production in the same areas. DAI provided reports from one of the training events, part of the same activity as G-MAZ-135, as evidence of monitoring of monitoring of both grants.

DAI maintains that monitoring evidence provided for 42 sampled grant awards indicates that RADP-N exercises appropriate oversight of Federal funds expended through the Project's grant program. Further, we do not see how unallowable grant costs or other ineligible charges could be passed on to USAID, given that the three awards questioned by the Auditor are in-kind grants for which procurements are managed by RADP-N personnel. We therefore consider the matter closed – no further action is required.

FINDING 2018-08: FAILURE TO ENSURE GRANTEES WERE AUDITED AS REQUIRED

Significant Deficiency and Noncompliance

Condition: As a component of our audit, we inquired of management regarding the process DAI executes to determine whether DAI's grantees are audited in accordance with USAID's guidelines. DAI indicated that none of its grantees triggered the audit based on the value of grants DAI awarded. However, USAID's audit requirement is triggered by

total expenditures a grantee makes under all of its USAID awards, not just the value of the USAID grants DAI has awarded to the grantee.

In addition, with regard to one grantee, Global Partners-Afghanistan, the audit report provided to us did not comply with USAID's audit guidelines. Specifically, the audit did not contain the reports on internal control and compliance required by USAID's guidelines and also did not indicate the audit was conducted in accordance with Government Auditing Standards. Therefore, the audit does not meet USAID's audit guidelines.

Criteria: Section H.47, Grants Under Contract, in DAI's contract states: "The contractor shall comply with all applicable USAID policies, procedures, regulations, and provisions set forth in the contract and ensure sufficient time to complete grantee audits."

ADS 591.3.2, Audits of Foreign Organizations and Host Government Entities: Requires foreign organizations receiving USAID awards directly or through a prime contractor or recipient to be audited in accordance with 2

CFR Part 200, Subpart F, with reference to the USAID Financial Audit Guidelines and the Standard Provisions for Non-U.S. Nongovernmental Organizations. ADS 591.3 states that audits are required to be conducted of foreign nonprofit organizations, host governments, and subrecipients expending \$750,000 or more in USAID awards during their fiscal year. The USAID Financial Audit Guidelines require audits to be conducted if total USAID expenditures exceed \$300,000.

Questioned Costs: None

Effect: DAI may be unaware of errors impacting its financial records, if DAI uses the incorrect criteria for determining which of its grantees should be audited. Further, there is an increased risk of DAI closing a grant without providing adequate time for the completion of an audit.

Cause: DAI misunderstood USAID's criteria to determine when their grantees should be audited and, as a result, improperly designed their process for identifying grantees that require an audit.

Recommendation: We recommend DAI:

1. Update the Grants Under Contract Manual to reflect the correct criteria for a USAID audit. The manual update should also include conducting an annual survey of grantees to identify which grantees may have triggered the audit requirement. The survey should cover costs incurred during the audit period and also be implemented on a go-forward basis.
2. Require personnel responsible for managing and monitoring grants to undergo training pertaining to the implementation of ADS 591.
3. Require Global Partners-Afghanistan to coordinate with its external auditor to conduct the additional actions necessary for its audit to comply with USAID's audit guidelines.

DAI MANAGEMENT RESPONSE TO FINDING 2018-08: FAILURE TO ENSURE GRANTEES WERE AUDITED AS REQUIRED

DAI disagrees with the Auditor’s assertion that we failed to exercise adequate oversight over the operations of grantee Global Partners – Afghanistan and that our process for identifying grantees that require an audit is improperly designed.

DAI awarded Standard Grant G-MAZ-035 to Global Partners Afghanistan on 10 February 2016. The grant ceiling was set at AFA 105,547,189, equivalent to ca. \$1,531,761 at the time of award. The period of performance of the grant was 10 February 2016 to 9 February 2018.

ADS 591.3 states that audits are required to be conducted of foreign nonprofit organizations, host governments, and subrecipients expending \$750,000 or more in USAID awards during their fiscal year. This threshold went into applies to fiscal years beginning after December 2015. Global Partners – Afghanistan did not exceed this threshold in any of its fiscal years under grant G-MAZ-035, therefore did not trigger the requirement for DAI to initiate an audit of the Grantee. Global Partners Afghanistan did submit to DAI an audit report covering grantee’s fiscal years 2016 and 2017. This report was not covered by the grant award and therefore not required to comply with Government Auditing Standards. Nevertheless, the report did not reveal any significant deficiencies in the Grantee’s internal controls or financial reporting.

Additionally, the report showed that the Grantee’s only source of USAID funding came from RADP-N, and that their total USAID-funded spending for the period amounted to \$491,402, well below the \$750,00 threshold set in ADS 591.3. We therefore conclude that our policies and procedures for determining grantee audit requirements are appropriate and adequate.

DAI maintains that our grantee monitoring policies reflect the correct criteria for a USAID audit. All grantees expending more than \$750,000 in USAID awards in the course of a single grantee fiscal year are required to undergo an annual audit conducted in accordance with Government Auditing Standards.

FINDING 2018-09: UNNECESSARY COST INCURRED FOR PARTICIPANT TRAINING

Deficiency and Noncompliance

Condition: During our testing of 101 transactions, we identified one \$447 transaction described as follows in the source documentation: “960 Pcs Cake & Juice for participants of VFU’s Capacity building & training to farmers ToF.” We noted the following based on our analysis of the documentation supporting the transaction and management's response to inquiries regarding the support:

- Documentation indicating why the cost was considered necessary for the purpose of executing program scope was not provided;
- Management indicated the costs were allowable as a result of the cost being related to participant training in accordance with ADS 253. However, training participants were local country personnel which do not meet the definition of "participants" as per the contract with USAID; and
- A search of the transaction support and contract for evidence of USAID's prior written approval was conducted in the event USAID authorized additional costs for meal expenses or refreshments during the specific training event. No written approval support was located.

Criteria: Section I.12 of DAI's contract with USAID incorporates AIDAR 752.7019, Participant Training. The provision states:

(a) Definitions.

(1) Participant training is the training of any foreign national outside of his or her home country, using USAID funds.

(2) A Participant is any foreign national being trained under this contract outside of his or her country.

Pursuant to FAR 31.201-4, Determining Allocability, states:

A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it—

(a) Is incurred specifically for the contract;

(b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or

(c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.

FAR 31.201-3(b), Determining Reasonableness, states:

What is reasonable depends upon a variety of considerations and circumstances, including -

(1) Whether it is the type of cost generally recognized as ordinary and necessary for the conduct of the contractor's business or the contract performance;

(2) Generally accepted sound business practices, arm's length bargaining, and Federal and

State laws and regulations;

- (3) The contractor’s responsibilities to the Government, other customers, the owners of the business, employees, and the public at large; and
- (4) Any significant deviations from the contractor’s established practices.

Questioned Costs: \$447

Effect: The Government may have been charged for unnecessary costs that did not benefit the program objectives and could have been utilized for other program activities.

Cause: DAI incorrectly classified the attendees as participants.

Recommendation: We recommend DAI either reimburse the Government \$447, or otherwise produce documentation demonstrating the individuals attending the participant training are appropriately classified as participants.

DAI RESPONSE TO FINDING 2018-09: UNNECESSARY COST INCURRED FOR PARTICIPANT TRAINING

DAI strongly disagrees with the Auditor’s assertion that the refreshment costs incurred as part of the capacity building exercise was unnecessary, did not benefit program objectives and is therefore unallowable/not allocable to the RADP-N contract.

DAI provided information to the Auditor documenting the business purpose and reasonableness of the cost. ADS 253 - Participant Training and Exchanges for Capacity Development allows per diem to be paid to host country nationals who participate in the training, as long as they do not exceed Department of State Standardized Regulations (DSSR) maximum rates.

ADS Chapter 580 - Conference Planning and Attendance similarly allows the provision of meals and light refreshments at a workshop or conference:

“When meals or light refreshments are furnished by the sponsoring organization or are included in the registration fee, the applicable meals and incidental expenses (M&IE) must be calculated.”

In this instance, no per diem was paid to participants and the costs incurred for refreshments during a multi-day, all-day event was substantially lower than DSSR limits.

Furthermore, the provision of training to local farmers by veterinaries from the Veterinary Field Units (VFUs) was approved as part of the Environmental Review Form submitted to USAID in March 2017 (Harry Bottenberg, MEO, USAID/Afghanistan) as an integral part of the VFU establishment process. We deem that USAID’s authorization to provide training to local participants supersedes the definition of “participants” in the RADP-N contract.

DAI therefore maintains that the costs incurred complied with the requirements of FAR 31.201-4, Determining Allocability and FAR 31.201-3(b), Determining Reasonableness,

therefore allowable, allocable, reasonable and eligible for reimbursement. We disagree with the questioned cost of \$447 for light refreshments provided.

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

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

Sincerely,

A handwritten signature in black ink that reads "Raul Pinto". The signature is written in a cursive style with a large initial "R".

Raul Pinto
Director, Internal Audit
301.771.7823

[Web](#) | [Twitter](#) | [Flickr](#) | [Facebook](#) | [LinkedIn](#)

Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe") has reviewed DAI Global LLC's ("DAI" or "the Auditee") management response to the audit findings. In consideration of the management views, Crowe has included the following rebuttal to certain matters presented by the Auditee. A rebuttal has been included in those instances where management disagreed with the facts presented within the condition or otherwise did not concur with Crowe's recommendation. DAI disagreed with Findings 2018-01, 2018-02, 2018-05, 2018-07, 2018-08, and 2018-09. Crowe's rebuttal to those findings follows.

FINDING 2018-01: NONCOMPLIANCE WITH THE NICRA G&A BASE OF APPLICATION

DAI does not concur with the auditor's position that subcontractor costs should be classified as pass through costs and, therefore, are not eligible as a base for application of an approved General and Administrative (G&A) allocation. In their response, DAI indicated the base of application, which in previous USAID NICRA letters referred to "pass-through other direct costs", was updated by USAID in July 2018 to clarify the language to "pass-through grants". DAI asserts that the July 2018 USAID NICRA letter allows for their inclusion of subcontractor costs in the base of application for the G&A allocation.

The period under audit precedes the July 2018 revised NICRA letter that changes the aforementioned base of application. Therefore, Crowe tested against the pre-July 2018 NICRA requirements that were in effect during the audit period. USAID provided an interpretation and policy clarification regarding the definition of pass through other direct costs during the audit and was provided a copy of the NICRA used for testing. Application of USAID's definition resulted in identification of DAI's noncompliance with the NICRA's requirements, which are incorporated by reference into the contract. Neither USAID nor the revised NICRA signed in July 2018 expressly stated that the revised base of application applies retroactively to prior years or supersedes the previous NICRAs. Accordingly, those indirect costs charged to the contract resulting from noncompliance with the base of application requirements remain in question. The finding has not been modified.

FINDING 2018-02: FAILURE TO OBTAIN USAID APPROVAL PRIOR TO EXECUTING GRANTS UNDER CONTRACT

DAI disagrees with Crowe's assertion that grants G-MAZ-009 and G-MAZ-012 were issued without prior approval from USAID. DAI's GUC Manual was approved by USAID on January 7, 2016. The GUCs noted in the finding were both executed in December 2015, prior to USAID approval of the Manual; therefore, the GUCs noted in the finding required prior approval by the COR. Based on the above, the finding and questioned costs remain unchanged.

FINDING 2018-03: UNCERTIFIED AND IMPROPERLY FORMATTED ANNUAL INVENTORY OF GOVERNMENT PROPERTY

DAI partially concurred with portion of the finding regarding the submission of inaccurate inventory information. DAI noted in their rebuttal that a reconciled inventory spreadsheet is included as part of the Annual Inventory of Government Property submission and thus supports the accuracy of the inventory information. The criteria noted in the finding specify the form and data elements to be included in inventory reporting. DAI did not demonstrate that the inventory submission met these requirements. The finding stands.

FINDING 2018-04: FAILURE TO REPORT LOSS OF GOVERNMENT PROPERTY TO USAID TIMELY

DAI partially concurred with the finding related to DAI's failure to notify USAID of damaged equipment. DAI, disagreed that the oversight noted in the finding would cause the related equipment costs to become questioned costs. The government was deprived of the use of these items in furtherance of the project. Without the timely communication of these events, the government cannot properly manage contracts or the assets necessary for successful completion of the projects related to those contracts. The finding and questioned cost remains.

FINDING 2018-05: INCORRECT FOREIGN CURRENCY TRANSLATIONS

DAI does not concur with the auditor's assertion that the foreign currency translations were incorrect. DAI states, in its management response, Field Offices enter into business transactions denominated in the domicile currency of the country where each project operates. Each DAI Field Office converts transfers received from DAI Home Office into local currency at the exchange rate set by its local bank. DAI uses the local bank exchange rate to convert billable expenses in local currency to the USD equivalent. This exchange rate remains in effect until the next conversion of USD to local currency. DAI notes this process as the first-in-first-out (FIFO) approach.

Crowe notes ASC 830 states that on the day a transaction occurs the transaction is recognized based on the exchange rate in effect on the transaction date. ASC defines "transaction date" as the date at which a transaction (for example, a sale or purchase of merchandise or services) is recorded in accounting records in conformity with generally accepted accounting principles (GAAP). A long-term commitment may have more than one transaction date (for example, the due date of each progress payment under a construction contract is an anticipated transaction date). Further, ASC 830 does not expressly allow for use of a FIFO method when translating costs into the reporting currency. Therefore, the finding and questioned cost remain.

FINDING 2018-06: MATERIAL MISSTATEMENTS AND OMISSIONS IN THE SPECIAL PURPOSE FINANCIAL STATEMENT ("SPFS")

DAI noted that, although they agree with the finding, they do not agree the effect of the finding would negatively impact the reliability of financial reporting or increase the vulnerability of fraud in financial transactions, as well as affect the results reporting, grant awards or the procurement of goods and services. As noted in the finding, DAI prepared four versions of the SPFS 3 of which were not supported by the financial records, thus indicating DAI's financial activity is not well controlled. Without accurate and complete financial statements, DAI's financial activity is at risk. This finding remains.

FINDING 2018-07: EVIDENCE OF GRANTEE MONITORING NOT PROVIDED

DAI disagrees with the Auditor's assertion that information provided did not represent sufficient audit evidence to demonstrate DAI monitored the three grants in question and that they failed to follow grant monitoring procedures. Rather, the documentation provided for audit pointed to other grants. DAI maintains the monitoring evidence provided for three sampled grant awards indicates RADP-N exercised appropriate oversight of Federal funds expended through the Project's grant program. However, DAI, in its management response, did not provide additional, relevant evidence to demonstrate the monitoring procedures pertained to the specific grants and matters referenced in the finding. In the absence of documentation clearly indicating the required monitoring was performed for the grants referenced in this finding, the finding remains unchanged.

FINDING 2018-08: FAILURE TO ENSURE GRANTEES WERE AUDITED AS REQUIRED

DAI disagrees with the Auditor's assertion that they failed to exercise adequate oversight over the operations of grantee Global Partners – Afghanistan, and that their process for identifying grantees subject to audit was improperly designed. DAI cited ADS 591.3, which requires audits of foreign nonprofit organizations, host governments, and subrecipients expending \$750,000 or more in USAID awards during their fiscal year. However, ADS 591.3 also requires compliance with the USAID Financial Audit Guidelines, which require audits to be conducted if total USAID expenditures exceed \$300,000 during a fiscal year, which DAI did not address. Specifically, DAI applied the \$750,000 threshold rather than the \$300,000 threshold noted in the audit guide. As a result, DAI improperly designed its process for identifying grantees requiring an audit under the USAID Financial Audit Guidelines and failed to detect the errors in Global Partners' audit reporting package. Accordingly, the finding has not been modified.

FINDING 2018-09: UNNECESSARY COST INCURRED FOR PARTICIPANT TRAINING

DAI disagrees with the Auditor's assertion that the refreshment costs incurred as part of the capacity building exercise was unnecessary, did not benefit program objectives and is, therefore, unallowable/not allocable to the RADP-N contract. DAI maintains the costs incurred complied with FAR 31.201-4, *Determining Allocability*, and FAR 31.201-3(b), *Determining Reasonableness*, and are allowable, allocable, reasonable and eligible for reimbursement under the contract. However, no additional support was provided by DAI to support prior authorization, as required by the RADP-N contract for certain conference expenses. No written approval support was located. Therefore, the finding and questioned cost will remain.

Appendix C: USAID Required Annual Inventory Format

Reporting Requirements: The contractor will submit an annual report on all non-expendable property in a form and manner acceptable to USAID substantially as follows:

ANNUAL REPORT OF GOVERNMENT PROPERTY IN CONTRACTOR'S CUSTODY

[NAME OF CONTRACTOR AS OF (END OF CONTRACT YEAR), 20XX]

	Motor vehicles	Furniture and furnishings -		Other nonexpendable property
		Office	Living quarters	
A. Value of property as of last report				
B. Transactions during this reporting period				
1. Acquisitions (add):				
a. Purchased by contractor ¹				
b. Transferred from USAID ²				
c. Transferred from others, without reimbursement ²				
2. Disposals (deduct):				
a. Returned to USAID				
b. Transferred to USAID - contractor purchased				
c. Transferred to other Government agencies ²				
d. Other disposals ²				
C. Value of property as of reporting date				
D. Estimated average age of contractor held property	Years	Years	Years	Years

Appendix D: DAI Annual Inventory Submission

Office	DAI Code #	Description	Asset Classification	Grant/Technical Number	Type	Sub Type	Furniture Type	Computer Number	Oracle ID
DAI - Mazar Project Office	RADPN-O-MZR-14-0000001	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
DAI - Mazar Project Office	RADPN-O-MZR-14-0000002	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
DAI - Mazar Project Office	RADPN-O-MZR-14-0000003	Smart Phone	Operations	Operations	Equipment	Phone - Mobile			14871955
DAI - Mazar Project Office	RADPN-O-MZR-14-0000004	Smart Phone	Operations	Operations	Equipment	Phone - Mobile			14871955
DAI - Mazar Project Office	RADPN-O-MZR-14-0000005	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
Kunduz Project Office	RADPN-O-MZR-14-0000006	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
DAI - Mazar Project Office	RADPN-O-MZR-14-0000007	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
DAI - Mazar Project Office	RADPN-O-MZR-14-0000008	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
DAI - Mazar Project Office	RADPN-O-MZR-14-0000009	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
DAI - Mazar Project Office	RADPN-O-MZR-14-0000010	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
DAI - Mazar Project Office	RADPN-O-MZR-14-0000011	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
DAI - Mazar Project Office	RADPN-O-MZR-14-0000012	Cell Phone	Operations	Operations	Equipment	Phone - Mobile			15000023
DAI - Mazar Project Office	RADPN-O-MZR-14-0000013	Smart Phone	Operations	Operations	Equipment	Phone - Mobile			14871955
DAI - Mazar Project Office	RADPN-O-MZR-14-0000014	Smart Phone	Operations	Operations	Equipment	Phone - Mobile			14871955
DAI - Mazar Project Office	RADPN-O-MZR-14-0000015	File Cabinet	Operations	Operations	Furniture	File Cabinet	Office		15196167
DAI - Mazar Project Office	RADPN-O-MZR-14-0000016	Washing Machine	Operations	Operations	Equipment	Other	Living Quarters		15210119
DAI - Mazar Project Office	RADPN-O-MZR-14-0000017	Washing Machine	Operations	Operations	Equipment	Other	Living Quarters		15210119
DAI - Mazar Project Office	RADPN-O-MZR-14-0000018	Dryer Machine	Operations	Operations	Equipment	Other	Living Quarters		15210123
DAI - Mazar Project Office	RADPN-O-MZR-14-0000019	Dryer Machine	Operations	Operations	Equipment	Other	Living Quarters		15210123
DAI - Mazar Project Office	RADPN-O-MZR-14-0000020	Oven	Operations	Operations	Equipment	Other	Living Quarters		15210120

Office	DAI Code #	Expendable / Non-Expendable	Acquisition Method	Previous Project	Previous Project Inventory Number	Leased item?	Lease Dates	Vendor provide insurance?	Additional Details
DAI - Mazar Project Office	RADPN-O-MZR-14-0000001	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000002	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000003	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000004	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000005	Expendable	Local procurement			No	-		
Kunduz Project Office	RADPN-O-MZR-14-0000006	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000007	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000008	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000009	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000010	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000011	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000012	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000013	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000014	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000015	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000016	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000017	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000018	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000019	Expendable	Local procurement			No	-		
DAI - Mazar Project Office	RADPN-O-MZR-14-0000020	Expendable	Local procurement			No	-		

Office	DAI Code #	Condition	Condition Explain	Location of Item	Responsible Person	Export Controlled Item
DAI - Mazar Project Office	RADPN-O-MZR-14-0000001	Working		Office, 2nd Floor, Room # 4, Grants, Subcontracts and Procurement Office□	Ahmad Ali	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000002	Working		Office, 2nd Floor, Room # 1, Finance Department	Sayed Kamal	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000003	Working		Office, 1st Floor, Room # 3, Operations Department	Ahmad Qahir	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000004	Working		Office, 1st Floor, Room # 3, Operations Department	Ahmad Qahir	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000005	Working		Office, 1st Floor, Room # 3, Operations Department	Ahmad Qahir	No
Kunduz Project Office	RADPN-O-MZR-14-0000006	Working		Kunduz Office	Sediqullah Ehsas	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000007	Working		Office, 1st Floor, Room # 2, Operations Department	Mojib Rahman	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000008	Working		Office, 1st Floor, Room # 2, Operations Department	Baktash Hamidullah	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000009	Working		Office, 3rd Floor, Room # 1, M&E/Communications Department	TJ Bradley	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000010	Working		Office, 1st Floor, Room # 3, Operations Department	Ahmad Qahir	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000011	Working		Office, 1st Floor, Room # 3, Operations Department	Ahmad Qahir	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000012	Working		Office, 1st Floor, Room # 3, Operations Department	Ahmad Qahir	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000013	Working		Office, 1st Floor, Room # 3, Operations Department	Ahmad Qahir	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000014	Working		Office, 2nd Floor, Room # 4, Grants, Subcontracts and Procurement Office□	Jessica Melton	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000015	Working		Office, 2nd Floor, Room # 4, Grants, Subcontracts and Procurement Office□	Ahmad Ali	No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000016	Working		Office, Basement, Hall		No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000017	Working		Guest House, Laundry Room		No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000018	Working		Guest House, Laundry Room		No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000019	Working		Guest House, Annex, Store		No
DAI - Mazar Project Office	RADPN-O-MZR-14-0000020	Working		Guest House, Kitchen		No

Office	DAI Code #	Acquisition date	Manufacturer or make	Model	Serial/ID #	Warranty	Warranty Date	Installation Keys	License Expiration
DAI - Mazar Project Office	RADPN-O-MZR-14-0000001	07/01/2014	NOKIA	107	351738062306006				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000002	07/01/2014	NOKIA	107	352387/06/939798/7				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000003	06/30/2014	iPhone	4S	7R031EH6A4S / IMEI:13002009206344				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000004	06/30/2014	iPhone	4S	7R031EH6A4S / IMEI:13170003720980				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000005	07/01/2014	NOKIA	107	351738062304068				
Kunduz Project Office	RADPN-O-MZR-14-0000006	07/01/2014	NOKIA	107	351738062303987				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000007	07/01/2014	NOKIA	107	351738062300966				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000008	07/01/2014	NOKIA	107	351738062306167				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000009	07/01/2014	NOKIA	107	351738062306520				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000010	07/01/2014	NOKIA	107	351738062306785				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000011	07/01/2014	NOKIA	107	351738062309209				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000012	07/01/2014	NOKIA	107	351738062309820				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000013	06/30/2014	iPhone	4S	7R031EH6A4S / IMEI:13042007565531				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000014	06/30/2014	iPhone	4S	7R031EH6A4S / IMEI:13068001333477				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000015	08/01/2014	SASANI/4 Drawers		N/A				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000016	08/01/2014	DUBAI	N/A	6931				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000017	08/01/2014	DUBAI	N/A	6952				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000018	08/01/2014	ELECTRO	N/A	17557				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000019	08/01/2014	ELECTRO	N/A	N/A				
DAI - Mazar Project Office	RADPN-O-MZR-14-0000020	08/01/2014	SANSON	2040-Melina	N/A				

Office	DAI Code #	Vehicle Plate	Vehicle Year	Vehicle Color	Vendor	PO/Req Number	Disposal
DAI - Mazar Project Office	RADPN-O-MZR-14-0000001				Smart Mobile / Kabul	AOO-G-2756	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000002				Smart Mobile / Kabul	AOO-G-2756	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000003				Smart Mobile / Kabul	AOO-PR-4026	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000004				Smart Mobile / Kabul	AOO-PR-4026	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000005				Smart Mobile / Kabul	AOO-G-2756	Not yet disposed
Kunduz Project Office	RADPN-O-MZR-14-0000006				Smart Mobile / Kabul	AOO-G-2756	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000007				Smart Mobile / Kabul	AOO-G-2756	Lost/stolen
DAI - Mazar Project Office	RADPN-O-MZR-14-0000008				Smart Mobile / Kabul	AOO-G-2756	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000009				Smart Mobile / Kabul	AOO-G-2756	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000010				Smart Mobile / Kabul	AOO-G-2756	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000011				Smart Mobile / Kabul	AOO-G-2756	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000012				Smart Mobile / Kabul	AOO-G-2756	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000013				Smart Mobile / Kabul	AOO-PR-4026	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000014				Smart Mobile / Kabul	AOO-PR-4026	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000015				Bahar Store	Has been procured by SIKI-North at the start up of the project	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000016				Bonyad Electronic	PO-Mazar-e-Sharif-0003 / Req-Mazar-e-Sharif-0042	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000017				Bonyad Electronic	PO-Mazar-e-Sharif-0003 / Req-Mazar-e-Sharif-0042	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000018				Bonyad Electronic	PO-Mazar-e-Sharif-0003 / Req-Mazar-e-Sharif-0042	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000019				Bonyad Electronic	PO-Mazar-e-Sharif-0003 / Req-Mazar-e-Sharif-0042	Not yet disposed
DAI - Mazar Project Office	RADPN-O-MZR-14-0000020				Bonyad Electronic	PO-Mazar-e-Sharif-0003 / Req-Mazar-e-Sharif-0042	Not yet disposed

Office	DAI Code #	Explanation of [Other] Disposition	Disposed To	Disposal Date	Quantity	Unit Price (LC)	Unit Price (\$US)	Total (LC)	Total (\$US)	Currency Used
DAI - Mazar Project Office	RADPN-O-MZR-14-0000001				1.00	1,600.00	28.03	1,600.00	28.03	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000002				1.00	1,600.00	28.00	1,600.00	28.00	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000003				1.00	328.02	328.02	328.02	328.02	USD
DAI - Mazar Project Office	RADPN-O-MZR-14-0000004				1.00	328.02	328.02	328.02	328.02	USD
DAI - Mazar Project Office	RADPN-O-MZR-14-0000005				1.00	1,600.00	28.00	1,600.00	28.00	AFN
Kunduz Project Office	RADPN-O-MZR-14-0000006				1.00	1,600.00	28.00	1,600.00	28.00	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000007		Lost	02/05/2015 12:00:00 PM ZE4B	1.00	1,600.00	28.00	1,600.00	28.00	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000008				1.00	1,600.00	28.00	1,600.00	28.00	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000009				1.00	1,600.00	28.00	1,600.00	28.00	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000010				1.00	1,600.00	28.00	1,600.00	28.00	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000011				1.00	1,600.00	28.00	1,600.00	28.00	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000012				1.00	1,600.00	28.00	1,600.00	28.00	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000013				1.00	328.03	328.03	328.03	328.03	USD
DAI - Mazar Project Office	RADPN-O-MZR-14-0000014				1.00	328.03	328.03	328.03	328.03	USD
DAI - Mazar Project Office	RADPN-O-MZR-14-0000015				1.00	8,400.00	149.47	8,400.00	149.47	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000016				1.00	6,240.00	111.33	6,240.00	111.33	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000017				1.00	6,240.00	111.33	6,240.00	111.33	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000018				1.00	4,550.00	81.18	4,550.00	81.18	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000019				1.00	4,550.00	81.18	4,550.00	81.18	AFN
DAI - Mazar Project Office	RADPN-O-MZR-14-0000020				1.00	24,000.00	428.19	24,000.00	428.19	AFN

Office	DAI Code #	Exchange Rate	CF-Contract No	CF-Security Item	CF-Sensitive Item	CF-USAID Category	CF-USAID Type	CF-USAID Property Classification	CF-USAID Source
DAI - Mazar Project Office	RADPN-O-MZR-14-0000001	57.09		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000002	57.14		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000003	1.00		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000004	1.00		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000005	57.14		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
Kunduz Project Office	RADPN-O-MZR-14-0000006	57.14		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000007	57.14		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000008	57.14		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000009	57.14		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000010	57.14		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000011	57.14		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000012	57.14		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000013	1.00		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000014	1.00		false	Yes	Office Equipment	Others	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000015	56.20		false	No	Housing Equipment	Furniture	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000016	56.05		false	No	Housing Equipment	Appliance	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000017	56.05		false	No	Housing Equipment	Appliance	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000018	56.05		false	No	Housing Equipment	Appliance	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000019	56.05		false	No	Housing Equipment	Appliance	EQ-Equipment	CA-Contractor Acquired
DAI - Mazar Project Office	RADPN-O-MZR-14-0000020	56.05		false	No	Housing Equipment	Appliance	EQ-Equipment	CA-Contractor Acquired

Office	DAI Code #	CF-Title Holder	CF- RC Location	CF- RC Province	CF-Condition Code
DAI - Mazar Project Office	RADPN-O-MZR-14-0000001	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000002	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000003	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000004	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000005	Implementer	RC North	Balkh	Code 1
Kunduz Project Office	RADPN-O-MZR-14-0000006	Implementer	RC North	Kunduz	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000007	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000008	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000009	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000010	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000011	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000012	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000013	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000014	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000015	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000016	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000017	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000018	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000019	Implementer	RC North	Balkh	Code 1
DAI - Mazar Project Office	RADPN-O-MZR-14-0000020	Implementer	RC North	Balkh	Code 1

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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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- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
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