

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

SIGAR 22-09 Financial Audit

## USAID's Women in the Economy Program in 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.**



DECEMBER  
2021

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On July 1, 2015, the U.S. Agency for International Development (USAID) awarded a 5-year, cost-plus-fixed-fee task order worth \$71,571,543 to Development Alternatives Inc. to implement the Women in the Economy program in Afghanistan. The task order's objective was to increase women's employment with advancement potential, and to help grow women-owned businesses in Afghanistan. Twelve modifications to the task order extended the period of performance through August 31, 2020, but did not change the amount of the award. On April 21, 2016, Development Alternatives Inc. was renamed and formally registered as DAI Global LLC (DAI).

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$12,443,157 in costs charged to the task order from December 1, 2019, through August 31, 2020. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in DAI's internal controls related to the task order; (2) identify and report on instances of material noncompliance with the terms of the task order 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, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

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December 2021

USAID's Women in the Economy Program in Afghanistan: Audit of Costs Incurred by DAI Global LLC

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SIGAR 22-09-FA

### WHAT SIGAR FOUND

Crowe identified one material weakness and one significant deficiency in DAI's internal controls, but no instances of noncompliance with the terms of the task order. Crowe found issues with the presentation and preparation of DAI's SPFS and concluded that the statement was not fairly presented. For example, Crowe identified 18 transactions that were incurred prior to the audit but were nonetheless included in the SPFS. While Crowe determined that the inclusion of these costs affected the fair presentation of the SPFS, the costs were otherwise allowable as they did not reflect noncompliance with the terms and conditions of the task order, and as such, they were not questioned. In its second finding, Crowe noted that DAI did not maintain accurate property records. Specifically, DAI's records did not include the date items were placed in service for a significant number of expendable and non-expendable property items.

Crowe did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—or ineligible costs—costs prohibited by the task order and applicable laws and regulations.

Crowe reviewed five prior audit reports that it deemed were relevant to the task order. The audits had two findings that could have a material effect on the SPFS. Crowe conducted follow-up procedures and concluded DAI had adequately addressed the findings.

Crowe issued a disclaimer of opinion on DAI's SPFS because it was unable to obtain sufficient audit evidence to provide a basis for an audit opinion.

### WHAT SIGAR RECOMMENDS

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

1. Advise DAI to address the report's two internal control findings.





**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

December 7, 2021

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

We contracted with Crowe LLP (Crowe) to audit the costs incurred by DAI Global LLC (DAI) under a U.S. Agency for International Development task order to implement the Women in the Economy program in Afghanistan.<sup>1</sup> The task order's objective was to increase women's employment with advancement potential, and to help grow women-owned businesses in Afghanistan. Crowe reviewed \$12,443,157 in costs charged to the task order from December 1, 2019, through August 31, 2020. Our contract with Crowe required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

**1. Advise DAI to address the report's two internal control findings.**

Crowe discusses the results of the audit in detail 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 in which Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-199)

<sup>1</sup> The contract number is AID-306-TO-15-00062.



**DAI GLOBAL, LLC**

**Women in the Economy (“WIE”)**

**Task Order AID-306-TO-15-00062**

**Special Purpose Financial Statement**

**December 1, 2019 through August 31, 2020**

**(With Independent Auditor’s Report Thereon)**

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## TRANSMITTAL LETTER

September 14, 2021

To the Board of Directors and Management of DAI Global, LLC  
7600 Wisconsin Ave., Suite #200  
Bethesda, Maryland 20814

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 our audit of the Special Purpose Financial Statement ("SPFS") applicable to DAI Global, LLC's ("DAI") Task Order with the United States Agency for International Development ("USAID"), number AID-306-TO-15-00062 funding the Women in the Economy ("WIE") for the period December 1, 2019 through August 31, 2020.

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Bert Nuehring".

Bert Nuehring, CPA, Partner  
Crowe LLP

## Summary

### Background

The United States Agency for International Development (“USAID”) issued Task Order number AID-306-TO-15-00062 to Development Alternatives, Inc. on July 1, 2015. Originally incorporated in 1970, in 2016, the company renamed and formally registered as DAI Global, LLC (“DAI”). Task Order number AID-306-TO-15-00062 was awarded to DAI to implement the Women in the Economy (“WIE”). The program’s goal is to establish as a comprehensive and integrated approach to women’s empowerment. The purpose of WIE specifically is to increase women’s participation in the mainstream, formal economy by securing employment with advancement potential, and by helping women-owned businesses grow.<sup>1</sup>

USAID supports WIE’s pursuit of its goals by providing funding for the following period:

Item	Performance Period	Award
AID-306-TO-15-00062	July 1, 2015 – June 30, 2020	\$71,571,543

The task order included a total estimated amount of \$71,571,543 and a period of performance of five years from the date of the award. There were a total of 12 modifications which extended the period of performance through August 31, 2020. The modifications were as follows:

Modification	Purpose
01	<ul style="list-style-type: none"> <li>Change activity name from Afghan Women’s Leadership in the Economy to Women in the Economy</li> <li>Incremental funding increase amount from \$15,000,000 to \$30,000,000</li> <li>Realign the summary task order budget table</li> <li>Revise activity targets and delivery and fee schedule</li> <li>Reduce period of performance from five years to four years</li> </ul>
02	<ul style="list-style-type: none"> <li>To designate new COR role</li> </ul>
03	<ul style="list-style-type: none"> <li>Incrementally increase funding from \$30,000,000 to \$38,547,773</li> <li>Update key personnel section</li> </ul>
04	<ul style="list-style-type: none"> <li>Remove age restriction for education attainment levels for applicants</li> <li>Update key personnel section</li> </ul>
05	<ul style="list-style-type: none"> <li>Incrementally increase funding from \$38,547,773 to \$44,598,984</li> </ul>
06	<ul style="list-style-type: none"> <li>Incrementally increase funding from \$44,598,984 to \$48,715,311</li> </ul>
07	<ul style="list-style-type: none"> <li>Increase period of performance by one year</li> <li>Realign budget</li> <li>Incrementally increase funding from \$48,715,311 to \$66,715,311</li> </ul>
08	<ul style="list-style-type: none"> <li>Update Delivery and Fee Schedule for deliverable No. 21</li> </ul>
09	<ul style="list-style-type: none"> <li>To replace the Administrative Task Order Contracting Officer</li> </ul>
10	<ul style="list-style-type: none"> <li>To designate new COR role</li> </ul>
11	<ul style="list-style-type: none"> <li>Incrementally increase funding from \$66,715,311 to \$71,571,543</li> <li>Revise period of performance from four years to five years</li> </ul>
12	<ul style="list-style-type: none"> <li>Extend period of performance by two months to August 31, 2020</li> <li>Realign task order budget</li> </ul>

<sup>1</sup> See Task Order AID-306-TO-15-00062, Section B.1, “Purpose.”

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Crowe's audit encompasses the period December 1, 2019 through August 31, 2020. During this span, DAI reported \$12,443,157 in revenue earned, inclusive of [REDACTED] in costs incurred and [REDACTED] in fixed fee. Due to the period of performance having elapsed during the audit period, Crowe's audit will include both financial audit and closeout audit procedures.

## Work Performed

The Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") engaged Crowe LLP ("Crowe" or "we" or "our") to conduct a closeout audit of Task Order Number AID-306-TO-15-00062 for the period December 1, 2019 through August 31, 2020.

## Objectives Defined by SIGAR

The following audit objectives were defined by the Special Inspector General for Afghanistan Reconstruction ("SIGAR")

### **Audit Objective 1 – Special Purpose Financial Statement**

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

### **Audit Objective 2 – Internal Controls**

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

### **Audit Objective 3 – Compliance**

Perform tests to determine whether DAI complied, in all material respects, with the task order's requirements and applicable laws and regulations and identify and report on instances of material noncompliance with terms of the task order 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 SPFS or other financial data significant to the audit objectives.



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## Scope

The scope of the audit included the period December 1, 2019 through August 31, 2020. The audit was limited to those matters and procedures pertinent to the task order that could have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included evaluating 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. The following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Costs and Activities;
- Cash Management;
- Equipment and Real Property;
- Grants Under Contract;
- Procurement; and
- Reporting.

## Methodology

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

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded accurately and were consistent with the terms and conditions of the task order; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the task order if the cost benefited multiple objectives; and were adequately supported. In addition, Crowe conducted procedures to ascertain whether DAI recorded costs in accordance with Note 2, *Basis of Accounting*, to the SPFS.

Regarding Audit Objective 2 pertaining to 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 audit period. To the extent documented policies and procedures were unavailable, 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 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the task order. Crowe identified – through review and evaluation of the task order executed by and between USAID and DAI and the indefinite delivery/indefinite quantity contract – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including, but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected transactions, payment requests, procurements, grants under contract, equipment and real property, and reports for testing. 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 DAI's Negotiated Indirect Cost Rate Agreement ("NICRA"). We performed procedures to determine if adjustments to billings that were based on preliminary or provisional rates were made, as required and applicable. In addition, Crowe performed closeout procedures over

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equipment and real property, final reporting requirements per the task order, and examining cumulative costs incurred to ascertain whether funding limits had been exceeded.

Regarding Audit Objective 4, Crowe inquired of DAI, SIGAR, and USAID personnel participating in the audit entrance conference to understand whether there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. As a result of the aforementioned efforts, we identified five prior reports – each of which contained findings and recommendations. In each instance, Crowe reviewed prior audit reports to ascertain whether findings may be direct and material to the audit objectives. In any instances where findings may be direct and material to the audit objectives, Crowe reviewed the prior audit reports to determine whether corrective action from any of the prior findings and recommendations was denoted as unresolved, inadequate, or otherwise incomplete such that additional follow-up is necessary. Two findings were identified that may be direct and material to the audit objectives and for which corrective action had not previously been deemed adequate. Crowe determined that adequate corrective actions have been taken for both of the identified findings. The reports are as follows:

1. SIGAR Audit 20-16-FA - *USAID's Afghan Women in the Economy Project: Audit of Costs Incurred by DAI Global LLC*;
2. SIGAR Audit 20-14-FA - *USAID's Assistance to the Legislative Bodies of Afghanistan Project: Audit of Costs Incurred by DAI Global LLC*;
3. SIGAR Audit 19-41-FA - *USAID's Regional Agricultural Development Program in Northern Afghanistan: Audit of Costs Incurred by DAI Global LLC*;
4. SIGAR Audit 18-61-FA - *USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc.*;
5. Financial Audit of Costs Incurred for Afghanistan Including a Review of Compliance with Vetting Procedures by Development Alternatives, Inc. ("DAI") Under: a) Agricultural Credit Enhancement (ACE-II) project, Task order AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Task order No. AID-306-TO-15-00062 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Task order No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

## Summary of Results

Upon completion of Crowe's procedures, Crowe identified two findings meeting 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 task order; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued a disclaimer of opinion on the SPFS due to DAI's inability to provide sufficient, appropriate audit evidence to demonstrate the amounts reported on the SPFS were presented under the accounting policies described in Notes 1, 2, 4, 5 and 6 to the Statement.

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 task order. One material weakness and one Significant Deficiency in internal controls were reported. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

In response to the identified instance of noncompliance, Crowe did not report any questioned costs. SIGAR requires questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by the audited task order or applicable laws and regulations, or that are unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or did not have the required prior approvals or authorizations.

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(Continued)

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to DAI's financial performance under this task order. Two of the five prior audits referenced above contained audit findings that were direct and material to the award. From those five reports, Crowe identified a total of two findings that were subject to review. Crowe conducted procedures to determine whether adequate corrective action had been taken on both of the findings. Crowe concluded that DAI had taken adequate corrective action on both prior findings. See **Section II: Summary Schedule of Prior Audit, Review, and Assessment of Findings**.

This summary presents an overview of the results of procedures completed for the purposes described herein and is not intended to be a representation of the audit results in their entirety.

#### Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2020-01	Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement ("SPFS") is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process	Material Weakness	\$ -
2020-02	Inaccurate Property Records	Significant Deficiency	-
<b>Total Questioned Costs:</b>			<b>\$ -</b>

### Summary of Management Comments

DAI disagrees with Finding 2020-01 and partially agrees with Finding 2020-02. DAI believes that the management comments provided in Appendix A properly address the identified deficiencies and reflects DAI's commitment to implementing and ensuring adequate controls and compliance with relevant policies applicable regulations. DAI stated it will make sure to share and emphasize any lessons learned from the audit to ensure that its policies, procedures and operations adequately addresses any identified deficiencies.

### Reference to Appendix

The auditor's reports are supplemented by two appendices: **Appendix A**, which contains management's responses to the audit findings and **Appendix B**, which contains Crowe's rebuttal.

## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the Board of Directors and Management of DAI Global, LLC  
7600 Wisconsin Ave, Suite #200  
Bethesda, Maryland 20814

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

**Report on the Special Purpose Financial Statement**

We were engaged to audit the Special Purpose Financial Statement ("Statement") of DAI Global, LLC ("DAI"), and related notes to the Statement, pertaining to the Women in the Economy ("WIE") program funded by United States Agency for International Development ("USAID") task order number AID-306-TO-15-00062 for the period December 1, 2019 through August 31, 2020.

***Management's Responsibility for the Special Purpose Financial Statement***

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction and the terms and conditions of task order number AID-306-TO-15-00062. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the Statement based on conducting the 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

We were not provided with sufficient, appropriate audit evidence to determine the amounts reported on the SPFS were presented under the accounting policies described in Notes 1, 2, 4, 5 and 6.

In addition, DAI included language within Note 2 to the Statement referring to financial statements that were not subject to audit and asserting that DAI complies with accounting principles generally accepted in the United States of America ("GAAP"). Whereas the costs recorded within the financial records supporting the Statement were not recorded consistent with GAAP and auditing DAI's consolidated financial statements were not within scope, a modified opinion would have been issued had the scope limitation described above been overcome.

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### ***Disclaimer of Opinion on the Special Purpose Financial Statement***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Statement.

### ***Basis of Presentation and Accounting***

We draw attention to Notes 1, 2, 4, 5, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in a format required by SIGAR and presents those amounts as permitted under the terms of task order number AID-306-TO-15-00062, 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 task order and SIGAR's special purpose framework.

### ***Restriction on Use***

This report is intended for the information the United States Agency for International Development ("USAID"), 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.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 27, 2021, on our consideration of DAI's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DAI's internal control over financial reporting and compliance.

*Crowe LLP*  
Crowe LLP

Washington, D.C.  
August 27, 2021

DAI Global, LLC  
 SPECIAL PURPOSE FINANCIAL STATEMENT  
 TASK ORDER NO. AID-306-TO-15-00062  
 For the Period December 1, 2019 through August 31, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>		<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
<b>Revenues</b>					
Task Order No. AID-306-TO-15-00062	\$ 71,571,543	\$ 12,443,157			
Total Revenue	<u>71,571,543</u>	<u>12,443,157</u>			4
<b>Costs Incurred</b>					5
Direct Cost	[REDACTED]	[REDACTED]			
Grants Under Contract	[REDACTED]	[REDACTED]			
Indirect Cost	[REDACTED]	[REDACTED]			
Fixed Fee	[REDACTED]	[REDACTED]			
Total Costs Incurred	<u>71,571,543</u>	<u>12,443,157</u>			
<b>Balance</b>		<u>\$ -</u>			6

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  
TASK ORDER NO. AID-306-TO-15-00062  
For the Period December 1, 2019 through August 31, 2020

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**Note 1. Basis of Presentation**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Task Order Number AID-306-TO-15-00062 under Indefinite Delivery Indefinite Quantity (IDIQ) No. AID-306-I-14-00013 for USAID's Afghan Women's in the Economy (WIE) for the period December 1, 2019 through August 31, 2020. Because the Statement presents only a selected portion of the operations of DAI Global LLC, 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 presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal Task Order. 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**

The SPFS presented is based on costs billed to the client during/for the period under audit.

DAI's understanding is that the audit is focused on ensuring that claims billed meet the compliance requirements in that they are allowable, allocable, and reasonable.

DAI Global, LLC complies with Generally Accepted Accounting Principles (GAAP) requirement for the accrual basis of accounting on an annual basis. As such, all expenditures are recognized following the cost principles contained in DAI Global, LLC's Cost Accounting Standards Disclosure Statement.

Excerpt from DAI's 2018 and 2019 annual audited financial statements confirms this:

"The accompanying consolidated financial statements include the accounts of DAI Global, LLC, a U.S. limited liability company, and its subsidiaries and are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America."

**Note 3. Foreign Currency Translation Method**

For purposes of preparing the Statement, translations 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 4. Revenues**

Revenues on the Statement represent the amount of funds to which DAI Global LLC, is entitled to receive from USAID/Afghanistan for allowable, eligible costs incurred under the Task Order during the period of performance. Fixed fee is based on completion and acceptance by USAID of contractual specified deliverables. A total fixed fee of [REDACTED] was billed to USAID during the audit period.

**Note 5. Costs Incurred by Budget Category**

The budget categories presented, and associated amounts reflect the budget line items presented, are within the final USAID approved budgets adopted as a component of Task Order No. AID-306-TO-15-00062 under IDIQ No. AID-306-I-14-00013 and as per Task Order modification 12 dated June 23, 2020. Actual expenditures match the approved budget categories for the Task Order. The budget amount covers the entirety of the task order performance period.

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DAI GLOBAL, LLC  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT  
TASK ORDER NO. AID-306-TO-15-00062  
For the Period December 1, 2019 through August 31, 2020

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**Note 6. Balance**

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the Task Order and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

**Note 7. Currency**

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

**Note 8. Grants-Under-Contract**

<b>Grant Organization</b>	<b>Total Billed</b>
Afghan Education Development and Health Service Org	\$ 121,351
Afghan Social Marketing Organization	36,307
Afghanistan Institute of Banking & Finance	25,916
Aschkan Management Consultancy	588,140
ASSOCIAZIONE "NOVE ONLUS"	12,300
Excel Consulting International	37,969
Fast Growth Consulting	47,163
KAARGAH Entrepreneurial Consultancy Services	61,831
Kaweyan Vehicle Rental Services	66,377
Masawat Social and Rural Development Organization	59,060
Organization for Develop and Sustainable Services	24,142
Technation	8,575
Wali Hotak LTD	7,875
Women Access for Justice Organization	56,535
Youth for Peace Movement	66,983
<b>Grand Total</b>	<b>\$ 1,220,524</b>

**Note 9. Program Status**

The Afghan Women's Leadership in the Economy (AWLE), renamed as Women in the Economy (WIE), remains active to date. The period of performance for the Task Order is scheduled to conclude on August 31, 2020, as noted in modification number 12 dated June 23, 2020. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of negotiated indirect cost rate agreements.

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(Continued)



DAI GLOBAL, LLC  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT  
TASK ORDER NO. AID-306-TO-15-00062  
For the Period December 1, 2019 through August 31, 2020

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**Note 10. Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to the December 1, 2019 to August 31, 2020, period covered by the Statement. The COVID-19 pandemic has developed rapidly in 2020. Management has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our staff (such as social distancing and working from home, where feasible) while ensuring continuation of operations that is essential to the attainment of project objectives. At this stage, the impact on project performance and results has not been significant or material, and based on our experience to date, we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of staff, beneficiaries, and other stakeholders. Management has performed their analysis through August 27, 2021.

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management of DAI Global, LLC  
7600 Wisconsin Ave, Suite #200  
Bethesda, Maryland 20814

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

We were engaged to audit, 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 task order number AID-306-TO-15-00062 funding the Women in the Economy ("WIE") program for the period December 1, 2019 through August 31, 2020. We have issued our report thereon dated August 27, 2021, within which we disclaimed an opinion due to DAI's inability to provide sufficient, appropriate audit evidence to support the amounts reported on the SPFS were presented under the policies described in Notes 1, 2, 4, 5 and 6 to the Statement

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

In planning and performing our audit of the Statement for the period December 1, 2019 through August 31, 2020, we considered DAI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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,

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(Continued)

we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-02 to be a significant deficiency.

In addition, we identified certain matters that we reported to management via our letter dated August 27, 2021.

### **DAI's Response to the Findings**

DAI's response to the findings identified in our audit are described in Appendix A of this report. DAI's response 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 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 the United States Agency for International Development ("USAID"), 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.  
August 27, 2021

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors and Management of DAI Global, LLC  
7600 Wisconsin Ave, Suite #200  
Bethesda, Maryland 20814

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

We were engaged to audit, 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 task order number AID-306-TO-15-00062 funding the Women in the Economy ("WIE") program for the period December 1, 2019 through August 31, 2020. We have issued our report thereon dated August 27, 2021, within which we disclaimed an opinion due to DAI's inability to provide sufficient, appropriate audit evidence to support the amounts reported on the SPFS were presented under the policies described in Notes 1, 2, 4, 5 and 6 to the Statement.

**Management's Responsibility for Compliance**

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the task order 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 task orders, 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

**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.

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## Restriction on Use

This report is intended for the information the United States Agency for International Development (“USAID”), 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.  
August 27, 2021

DAI GLOBAL, LLC  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TASK ORDER NO. AID-306-TO-15-00062  
For the Period December 1, 2019 through August 31, 2020

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**FINDING 2020-01: Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement (“SPFS”) is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process**

Material Weakness

Condition: During our audit procedures we noted:

1. The amounts presented in the Special Purpose Financial Statement (“SPFS”) were inconsistent with the accounting policies described in the Notes to the SPFS. Specifically, eighteen transactions were for costs incurred prior to the audit, which is inconsistent with Note 2 to the SPFS. These costs were therefore improperly included on the SPFS. The total value of the improperly included costs was \$12,104. The omission occurred both within the initial versions of the SPFS provided for audit and within the final version of the SPFS; and
2. Within Note 4 to the SPFS, revenue did not include a description of the fees earned under the Task Order. DAI corrected Note 4 in the final Notes to the SPFS presented in this report.

Whereas the misstatements in both the notes and the amounts presented on the SPFS were material, a material weakness in internal control over financial reporting was observed.

Criteria: SIGAR requires presentation of revenues earned, costs incurred, and balance for the period under audit in accordance with accounting principles generally accepted in the United States of America or other comprehensive basis of accounting.

The Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) *Internal Control – Integrated Framework* states, “Internal control is a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.”

DAI stated, within Note 1 to the SPFS, that “[t]he information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (‘SIGAR’) and is specific to the contract.”

DAI stated, within Note 2 to the SPFS, that “[t]he SPFS presented is based on costs billed to the client during/for the period under audit.”

Questioned Costs: None. The finding does not reflect noncompliance with the terms and conditions of the agreement between USAID and DAI such that there are no costs in question.

Effect: The SPFS was not fairly presented. Moreover, Management’s inconsistency regarding the organization’s use of the basis of accounting and identification of when costs are incurred under the task order increases the likelihood that costs are submitted for reimbursement in the incorrect period. As DAI will likely be prompted to prepare a SPFS in future audits of federally-funded programs, these inconsistencies in cost presentation with the stated basis of accounting will likely prompt continued challenges in producing a fairly presented SPFS.

Due to the identified misstatements and DAI’s failure to provide sufficient, appropriate audit evidence to demonstrate costs incurred and revenue earned as reported on the SPFS are consistent with the note disclosures, one cannot conclude the SPFS is fairly presented and a disclaimer of opinion has been reported.

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(Continued)

DAI GLOBAL, LLC  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TASK ORDER NO. AID-306-TO-15-00062  
For the Period December 1, 2019 through August 31, 2020

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Cause: DAI had insufficient controls surrounding the preparation and review of the SPFS and the corresponding notes to the SPFS. In addition, DAI does not have a documented financial reporting policy prescribing the basis of accounting utilized to determine when costs are recorded in its accounting systems. As a result, the SPFS was not fairly presented.

Recommendation: We recommend DAI:

1. Develop and document a procedure regarding the review and approval of SPFS's to ensure accurate, complete presentation of financial data;
2. Identify and communicate in writing to personnel responsible for financial management and reporting the basis of accounting that DAI will utilize for financial reporting to determine when costs are recorded in its financial systems; and
3. Identify and document a consistent basis of accounting for recording and reporting all financial transactions and activities.

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(Continued)

DAI GLOBAL, LLC  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TASK ORDER NO. AID-306-TO-15-00062  
For the Period December 1, 2019 through August 31, 2020

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**FINDING 2020-02: Inaccurate Property Records**

Significant Deficiency

Condition: DAI did not maintain accurate property records in accordance with Federal requirements. During our testing of the Women in Economy (“WIE”) program’s property records, Crowe noted twenty (20) out of sixty (60) property items tested did not have the date placed in service included in the equipment population provided. Crowe then reviewed the detail supporting the Annual Report of Government Property submitted to the United States Agency for International Development (“USAID”) and noted the following:

- 112 out of three-hundred and eighty-four 384 (29%) non-expendable property items were missing the date placed in service; and
- 1,116 out of 2,221 (50%) expendable property items were missing the date placed in-service.

Criteria: According to DAI’s Inventory Management Procedures Section 3.10 – Managing Inventory, the Field Operations Officer is responsible for ensuring that all items purchased or received from the client or other projects maintain a record of the inventory that includes as a minimum:

- Office the item is located
- Type of good
- Category of good A general description or the item
- The Manufacturer and Make
- A Serial number for all equipment
- Inventory Number
- Purchase or acquisition date
- Vendor Name
- Whether item was provided to or purchased by a grantee or other recipient
- Detailed location of item
- Responsible person
- Purchase Order # or Requisition #
- Current condition of the item
- Unit or purchase price
- Disposal Summary
- Recipient Organization

DAI’s Policy 9, *Governing Policy on 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.”

Questioned Costs: None.

Effect: Inadequate internal controls over government property led to incomplete property records and what could lead to the loss or misappropriation of government property.

Cause: DAI did not sufficiently review the government property documentation to ensure that they are meeting Federal requirements, the terms and conditions of the contract, and internal policies, as applicable.

Recommendation: We recommend DAI establish procedures over property records to ensure property record-keeping accurately reflects the current state of government property held under the program. As part of this effort, DAI should establish a procedure to verify that the date placed in service is included for each of the property records.

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DAI GLOBAL, LLC  
SECTION II: SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT OF FINDINGS  
TASK ORDER NO. AID-306-TO-15-00062  
For the Period December 1, 2019 through August 31, 2020

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Crowe reviewed five prior audits, reviews, or assessment reports. We assessed the findings to ascertain whether the matters may be direct and material to the Special Purpose Financial Statement ("SPFS") or other financial information significant to the audit objectives. In addition, we reviewed the auditors' comments regarding the status of two prior audit findings.

The reports reviewed by Crowe are listed below:

1. SIGAR Audit 20-16-FA - *USAID's Afghan Women in the Economy Project: Audit of Costs Incurred by DAI Global LLC*;
2. SIGAR Audit 20-14-FA - *USAID's Assistance to the Legislative Bodies of Afghanistan Project: Audit of Costs Incurred by DAI Global LLC*;
3. SIGAR Audit 19-41-FA - *USAID's Regional Agricultural Development Program in Northern Afghanistan: Audit of Costs Incurred by DAI Global LLC*;
4. SIGAR Audit 18-61-FA - *USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc.; and*
5. Financial Audit of Costs Incurred for Afghanistan Including a Review of Compliance with Vetting Procedures by Development Alternatives, Inc. ("DAI") Under: a) Agricultural Credit Enhancement (ACE-II) project, Task order AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Task order No. AID-306-TO-15-00062 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Task order No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

**Finding No. 2019-01: Missing Fixed Fee Invoice Pre-Approval**

**Report:** SIGAR Audit 20-16-FA - *USAID's Afghan Women in the Economy Project: Audit of Costs Incurred by DAI Global LLC*.

**Issue:** The finding is related to missing USAID pre-approval for a fixed fee invoice. \$403,009 in total questioned costs were identified; the \$403,009 were considered unsupported costs.

**Status:** DAI implemented additional controls to help ensure that future fixed fee payments receive the contractually mandated acceptance by USAID and approval from the Contracting Officer (CO) before submitting an invoice for fees associated with contract deliverables. The finding was not repeated in the current year and the corrective action was determined to be adequate.

**Finding No. 2019-02: Incorrect G&A Indirect Cost Rate Used**

**Report:** SIGAR Audit 20-16-FA - *USAID's Afghan Women in the Economy Project: Audit of Costs Incurred by DAI Global LLC*.

**Issue:** DAI applied indirect costs rates claimed for the General & Administrative (G&A) cost category incorrectly. The G&A rate applied exceeded the contract ceiling rate for G&A costs.

**Status:** DAI has established additional ongoing internal control initiatives to strengthen the invoice process. The initiatives included implementing Oracle reports that list the burden schedule names and ceiling rates, subproject, and task level. It also assigned responsibility to the project billing accountants, who will check their projects against these reports when a new subproject and or task is added under a master project to ensure the correct burden schedule has been setup before billing on a monthly basis. The finding was not repeated in the current year and the corrective action was determined to be adequate.



## Appendix A: Views of Responsible Officials



August 27, 2021

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 Women in the Economy ("WIE"), Task Order No. AID-306-TO-15-00062, for the period December 1, 2019 through August 31, 2020**

This document is to provide DAI's response to the draft audit finding and recommendation identified in the subject audit report. Below you will find our response to the finding 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 2020-01: Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement ("SPFS") is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process:**

Material Weakness

Condition: During our audit procedures we noted:

1. The amounts presented in the Special Purpose Financial Statement ("SPFS") were inconsistent with the accounting policies described in the Notes to the SPFS. Specifically, eighteen transactions were for costs incurred prior to the audit, which is inconsistent with Note 2 to the SPFS. These costs were therefore improperly included on the SPFS. The total value of the improperly included costs was \$12,104. The omission occurred both within the initial versions of the SPFS provided for audit and within the final version of the SPFS; and
2. Within Note 4 to the SPFS, revenue did not include a description of the fees earned under the Task Order. DAI corrected Note 4 in the final Notes to the SPFS presented in this report.

Whereas the misstatements in both the notes and the amounts presented on the SPFS were material, a material weakness in internal control over financial reporting was observed.

Criteria: SIGAR requires presentation of revenues earned, costs incurred, and balance for the period under audit in accordance with accounting principles generally accepted in the United States of America or other comprehensive basis of accounting.

The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Internal Control – Integrated Framework* states, "Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."

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DAI stated, within Note 1 to the SPFS, that “[t]he information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (‘SIGAR’) and is specific to the contract.”

DAI stated, within Note 2 to the SPFS, that “[t]he SPFS presented is based on costs billed to the client during/for the period under audit.”

Questioned Costs: None. The finding does not reflect noncompliance with the terms and conditions of the agreement between USAID and DAI such that there are no costs in question.

Effect: The SPFS was not fairly presented. Moreover, Management’s inconsistency regarding the organization’s use of the basis of accounting and identification of when costs are incurred under the task order increases the likelihood that costs are submitted for reimbursement in the incorrect period. As DAI will likely be prompted to prepare a SPFS in future audits of federally-funded programs, these inconsistencies in cost presentation with the stated basis of accounting will likely prompt continued challenges in producing a fairly presented SPFS.

Due to the identified misstatements and DAI’s failure to provide sufficient, appropriate audit evidence to demonstrate costs incurred and revenue earned as reported on the SPFS are consistent with the note disclosures, one cannot conclude the SPFS is fairly presented and a disclaimer of opinion has been reported.

Cause: DAI had insufficient controls surrounding the preparation and review of the SPFS and the corresponding notes to the SPFS. In addition, DAI does not have a documented financial reporting policy prescribing the basis of accounting utilized to determine when costs are recorded in its accounting systems. As a result, the SPFS was not fairly presented.

Recommendation: We recommend DAI:

1. Develop and document a procedure regarding the review and approval of SPFS’s to ensure accurate, complete presentation of financial data;
2. Identify and communicate in writing to personnel responsible for financial management and reporting the basis of accounting that DAI will utilize for financial reporting to determine when costs are recorded in its financial systems; and
3. Identify and document a consistent basis of accounting for recording and reporting all financial transactions and activities.

**DAI Global LLC’s Management Response to Finding 2020-01 - Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement (“SPFS”) is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process:**

DAI will take into consideration the recommendation of the Auditor pertaining to the preparation of Special Purpose Financial Statements (SPFS) in accordance with SIGAR requirements and to develop and document a procedure regarding the review and approval of the SPFS to ensure accuracy. We note, however, that we do not prepare financial statements or do financial reporting at the project level, and that the SPFS format of presentation is not informative of any remaining unused and/or available funds under task order number AID-306-TO-15-00062. We therefore do not consider that the finding presented by the Auditor materially impacts the reliability of DAI’s corporate financial reporting, or increases the vulnerability of fraud in financial transactions, results reporting, grant awards, or the procurement of goods or services.

DAI maintains that the amounts presented in the Special Purpose Financial Statements are consistent with the approach presented in our revised Note 2: Basis of Accounting. The SPFS are based on costs billed to the Client during/for the period under audit. This is the only information relevant to the Client, since it directly correlates to what the Client paid DAI during the SFPS period. The transactions noted by the Auditor as “incurred during the audit period” were not billed to the Client and therefore not included in the SPFS, in order to maintain consistency with the basis of accounting outlined in Note 2. All costs in the audit period were audited, all billed costs were captured in the SPFS and were reviewed by auditors, and no questioned costs were identified. The project General Ledger ties out to the SPFS and invoices submitted to USAID during the period under audit. We therefore disagree with the Auditor’s assertion that our approach was inconsistent and that the inclusion of “incurred during the audit period” transactions in a subsequent accounting period necessitates a disclaimer of opinion on the SPFS.

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DAI Global, LLC complies with Generally Accepted Accounting Principles (GAAP) (i.e., the accrual basis of accounting) on an annual basis (i.e., DAI's established financial and cost accounting period). As such, all expenditures are recognized following the cost principles contained in DAI Global, LLC's Cost Accounting Standards (CAS) Disclosure Statement. This is a documented financial reporting policy prescribing the basis of accounting used to determine when and how costs are recorded in our accounting system. Moreover, DAI's compliance with GAAP is examined annually, through the regular audit of DAI's annual financial statements. DAI's compliance with our CAS Disclosure Statement and annual incurred cost reporting requirements has been evaluated by USAID and independent contract auditors with no exceptions or omissions noted. DAI's accounting system was also reviewed and certified by the DCAA. We therefore do not agree with the Auditor's assertion of deficient and/or undocumented financial reporting policies.

Per DAI's CAS Disclosure Statement, vendor/subcontractor invoices processed through our US office are recognized based on the date on the document (invoice). Accruals for amounts incurred in a particular accounting period but payable in a subsequent period are recorded at the end of DAI's fiscal year (31 December), on the corporate ledger level. Recording accruals by project by month would be onerous to DAI, unnecessary from a GAAP standpoint, not required for government contract cost accounting, and redundant from a standpoint of examining the costs incurred for allowability, allocability, and reasonableness.

Special Purpose Financial Statements are financial statements prepared in accordance with a special purpose framework, which are not required to conform to GAAP. Each SPFS represents only a selected, specific portion of the operations of DAI Global, LLC, not the financial position, changes in net assets, or cash flows of DAI Global LLC. Therefore, the amounts in these statements will differ from the amounts presented in DAI's annual financial statements. Monthly accruals are neither contractually required of DAI, nor mandated by applicable regulations, nor required by GAAP.

The basis of accounting for these statements is the Auditee's choice, and, per the definition in Generally Accepted Auditing Standards, can be any basis used by the Auditee "to comply with an agreement between the entity and one or more third parties other than the Auditor", as long as it "uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements". By using the billed cost criterium and applying it consistently, which the Auditor does not disagree with, DAI has complied with this requirement.

DAI notes that the same basis of accounting was used in previous SIGAR, Accountable Assistance for Afghanistan (A3) and other USAID-contracted audits, including multiple audits conducted by Crowe LLP. In none of these prior audits was the question of adequacy or consistency raised by either the auditor, by SIGAR, or by USAID. DAI's notes to the financial statements were identical to the notes provided to auditors in the past, which until now were consistently unquestioned by and acceptable to Crowe LLP.

We also note that the DAI provided internal approval of the SPFS and revised the SPFS accordingly for any required clarifications and or updates during the course of the audit fieldwork. It is unclear what criteria the Auditor used to single out these updates and clarifications as a "material weakness", as none of these corrections and or changes would have impacted the billing or reporting of costs to USAID, and did not affect the allowability, allocability, or reasonableness of reported expenditures.

Our understanding is that the purpose of the audit was to validate costs (incurred) and billed by DAI to USAID in the audit period. I.e. to opine whether the costs billed to the government are allowable, allocable and reasonable and in compliance with the contract. To that end, we summarized all billed cost in the period in a schedule that captures what DAI invoiced and the Government reimbursed in the period. DAI is very concerned about the effect a disclaimer of opinion could have on DAI's business reputation and public visibility. We spent considerable time and effort providing information to the Auditor, only to end up with a disclaimer of opinion of questionable relevance to the purpose of the audit, and to USAID and SIGAR objectives in safeguarding US Government funds. DAI is also concerned about how this disclaimer of opinion would be actionable and how or what would SIGAR and or USAID require DAI to do to address this in future audits.

We have undertaken several attempts to resolve this issue, soliciting input from external industry experts and meeting with the Auditors. The end result is that the disclaimer of opinion is still maintained in this report despite DAI making many required changes to its Special Purpose Financial Notes.

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#### **FINDING 2020-02: Inaccurate Property Records**

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### Significant Deficiency

Condition: DAI did not maintain accurate property records in accordance with Federal requirements. During our testing of the Women in Economy (“WIE”) program’s property records, Crowe noted twenty (20) out of sixty (60) property items tested did not have the date placed in service included in the equipment population provided. Crowe then reviewed the detail supporting the Annual Report of Government Property submitted to the United States Agency for International Development (“USAID”) and noted the following:

- 112 out of three-hundred and eighty-four 384 (29%) non-expendable property items were missing the date placed in service; and
- 1,116 out of 2,221 (50%) expendable property items were missing the date placed in-service.

Criteria: According to DAI’s Inventory Management Procedures Section 3.10 – Managing Inventory, the Field Operations Officer is responsible for ensuring that all items purchased or received from the client or other projects maintain a record of the inventory that includes as a minimum:

- Office the item is located
- Type of good
- Category of good A general description or the item
- The Manufacturer and Make
- A Serial number for all equipment
- Inventory Number
- Purchase or acquisition date
- Vendor Name
- Whether item was provided to or purchased by a grantee or other recipient
- Detailed location of item
- Responsible person
- Purchase Order # or Requisition #
- Current condition of the item
- Unit or purchase price
- Disposal Summary
- Recipient Organization

DAI’s Policy 9, *Governing Policy on 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.”

Questioned Costs: None.

Effect: Inadequate internal controls over government property led to incomplete property records and what could lead to the loss or misappropriation of government property.

Cause: DAI did not sufficiently review the government property documentation to ensure that they are meeting Federal requirements, the terms and conditions of the contract, and internal policies, as applicable.

Recommendation: We recommend DAI establish procedures over property records to ensure property record-keeping accurately reflects the current state of government property held under the program. As part of this effort, DAI should establish a procedure to verify that the date placed in service is included for each of the property records.

### **DAI Global LLC’s Management Response to Finding 2020-02 - Inaccurate Property Records:**

DAI concurs that there are instances of discrepancies in sampled inventory placed in service date and on WIE’s inventory records, as identified above under Finding 2020-02. We note that the Project’s final

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(Continued)

inventory report was submitted to USAID in December 2019 and that the inventoried items were disposed of as approved by the Client.

DAI does not concur with the Auditor's recommendation that DAI needs to establish procedures for maintaining property records. DAI maintains that WIE's inventory management process is appropriate and adequate and contains documentation to support the placed in service date of each property item is maintained in the property records.

All non-expendable property purchased under the WIE contract is tracked in accordance with FAR 52.245-1(a). Non-expendable property received from the client and/or other USAID implementing partners is also tracked as part of WIE's inventory, per the requirements of DAI Operating Procedure 9.6, Inventory Management. Of the total exceptions noted by the Auditor (112 out of 384 NXP items missing the date placed in service), 63 were items received from the Client. In isolated instances of error in the inventory tracker, the correct acquisition cost, date, description, and other reporting elements can be readily obtained from the project's financial records. We therefore also disagree with the Auditor's assertion that omitting the date placed in service could lead to "loss and misappropriation of government property".

DAI/WIE inventory management policy establishes a review and reconciliation process to detect and correct discrepancies between financial records and the inventory tracker. However, in light of the exceptions noted in this audit, we will further systematize the process through clear action steps, roles and responsibilities.

In addition, DAI conducted a comprehensive training to the entire MENA & Afghanistan Senior Project Management team on April 28, 2021. The training highlighted the importance of timely and accurate annual inventory reports to USAID.

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,

Raul Pinto  
Director, Internal Audit  
301.771.7823



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## Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management response of DAI Global ("DAI" or "the auditee") response to the report audit finding provided to Crowe on August 27, 2021. In consideration of those views, Crowe has included the following rebuttal to certain matters presented by the auditee. Crowe incorporates a rebuttal in those instances where management disagrees with the facts presented within the condition, does not concur with Crowe's recommendation, or provides additional documentation for review. In those instances where management either agrees with the finding or does not disagree with the facts in the finding, as presented, no rebuttal is provided. Using this framework, Crowe has incorporated two rebuttals to management's comments, below.

### FINDING 2020-01: Lack of Sufficient, Appropriate Audit Evidence to Conclude the Special Purpose Financial Statement ("SPFS") is Fairly Presented as a Result of the Lack of a Documented Financial Reporting Process.

DAI disagreed with the finding that the amounts presented in the Special Purpose Financial Statement ("SPFS") were inconsistent with the accounting policies described in the Notes to the SPFS. Crowe noted that during the course of the SPFS preparation, DAI changed the basis of accounting from the Cash Basis to costs billed to USAID during/for the period under audit.

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

### FINDING 2020-02: Inaccurate Property Records

DAI did not disagree with the facts presented in the finding. DAI partially disagreed with the recommendation provided by Crowe to establish a procedure to verify that the date placed in service is included for each of the property records. It is not evident in the reports provided by DAI that the date placed in service is readily available in the financial records. Additionally, DAI has agreed to further systematize the process through clear action steps, roles and responsibilities. As such, the finding has not been changed.

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## SIGAR's Mission

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