

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-10 Financial Audit

USAID's Regional Agricultural Development Program–East 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 21, 2016, the U.S. Agency for International Development (USAID) awarded a 5-year, cost-plus-fixed-fee contract worth \$28,126,111 to Development Alternatives Inc., to support the Regional Agricultural Development Program–East in Afghanistan. The contract’s objective was to foster sustainable agriculture-led economic growth in eastern Afghanistan by decreasing the post-harvest loss of key agricultural crops, increasing the commercial viability of agribusinesses, and strengthening public and private agriculture service delivery. After seven modifications, the contract’s total funding and period of performance remained unchanged. 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 \$3,520,486 in costs charged to the contract from December 1, 2019, through July 20, 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 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, 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.

December 2021

USAID’s Regional Agricultural Development Program–East in Afghanistan:
Audit of Costs Incurred by DAI Global LLC

SIGAR 22-10-FA

WHAT SIGAR FOUND

Crowe identified one material weakness in DAI’s internal controls but no instances of noncompliance with the terms of the contract. Crowe found that 5 of 12 transactions selected for testing, totaling \$66,986, were incurred during the audit period but were excluded from the SPFS. These costs were not questioned as their exclusion did not reflect noncompliance with the terms and conditions of the contract. Additionally, DAI presented Crowe with versions of the SPFS that were incorrectly dated, did not provide evidence of management review, and excluded relevant information in the accompanying notes.

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

Crowe identified four prior audits containing five findings that were relevant to the contract, and 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, as they were 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 one internal control finding.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

December 21, 2021

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

Dr. Tina Dooley-Jones
USAID Mission Director for Afghanistan

We contracted with Crowe LLP (Crowe) to audit the costs incurred by DAI Global LLC (DAI) under a cost-plus-fixed-fee contract from the U.S. Agency for International Development to support the Regional Agricultural Development Program–East program in Afghanistan.¹ The contract’s objective was to foster sustainable agriculture-led economic growth in eastern Afghanistan by decreasing the post-harvest loss of key agricultural crops, increasing the commercial viability of agribusinesses, and strengthening public and private agriculture service delivery. Crowe reviewed \$3,520,486 in costs charged to the contract from December 1, 2019, through July 20, 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 one internal control finding.

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 contract, 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, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-200)

¹ The contract number is AID-306-C-16-00011.



DAI GLOBAL, LLC

Regional Agricultural Development Program – East (RADP – East)

Contract Number AID-306-C-16-00011

Special Purpose Financial Statement

December 1, 2019 through July 20, 2020

(With Independent Auditor's Report Thereon)

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Crowe LLP

Independent Member Crowe Global

1455 Pennsylvania Avenue, N.W., Suite 700

Washington, D.C. 20004-1008

Tel +1 202 624 5555

Fax +1 202 624 8858

www.crowe.com

TRANSMITTAL LETTER

August 9, 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") contract number AID-306-C-16-00011 funding the United States Agency for International Development's ("USAID") Regional Agricultural Development Program – East ("RADP-East") for the period December 1, 2019 through July 20, 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 will be incorporated as Appendix A to this report.

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, appearing to read "Bert Nuehring".

Bert Nuehring, CPA, Partner
Crowe LLP

Summary

Background

The United States Agency for International Development (“USAID”) issued contract number AID-306-C-16-00011 to Development Alternatives, Inc. (“DAI”) on July 21, 2016. Originally incorporated in 1970, in 2016, the company renamed and formally registered as DAI Global, LLC (“DAI”). Contract AID-306-C-16-00011 was awarded to DAI to implement the Regional Agriculture Development Program-East (“RADP-East”). The program’s goal is to foster sustainable agriculture-led economic growth in Eastern Afghanistan. It aims at achieving this objective by decreasing post-harvest loss of key agricultural crops, increasing the commercial viability of agribusinesses and strengthening public and private agriculture service delivery.¹

The contract was structured as a Cost-Plus-Fixed-Fee (“CPFF”) award. At the time of award, the initial total estimated costs amounted to \$28,126,111. The contract’s period of performance was established as July 21, 2016 through July 20, 2021. There were seven (7) modifications made to the contract throughout the period of performance. The modifications did not change the contract amount or period of performance and are summarized below for reference:

Modification No.	Highlights
01	<ul style="list-style-type: none"> • Realign Budget • Revise Fee Schedule • Clarify scope of work • Clarify monthly report requirement
02	<ul style="list-style-type: none"> • Revise Special Contract Requirements
03	<ul style="list-style-type: none"> • Incrementally increase funding by \$5,953,535 • Revise Contracting Officer’s Representative (COR) designation
04	<ul style="list-style-type: none"> • Incrementally increase funding by \$5,000,000
05	<ul style="list-style-type: none"> • Realign Budget • Revise Fee Schedule
06	<ul style="list-style-type: none"> • Incrementally increase funding by \$2,371,336
07	<ul style="list-style-type: none"> • Incrementally increase funding by \$5,700,000

The audit scope included activity within the period December 1, 2019 through July 20, 2020. Within the period under audit, DAI reported [REDACTED] in costs incurred and fixed fee of [REDACTED] for a total of \$3,520,486.

Work Performed

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 contract number AID-306-C-16-00011 for the period December 1, 2019 through July 20, 2020.

¹ Contract number AID-306-C-16-00011, pg. 19

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 the SPFS for the contract 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 contract 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’s requirements and applicable laws and regulations and identify and report on instances of material noncompliance with terms of the contract and applicable laws and regulations, including potential fraud or abuse that may have occurred.

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.

Scope

The scope of the audit included the period December 1, 2019 through July 20, 2020. The audit was limited to those matters and procedures pertinent to the contract 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.

(Continued)

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 contract; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the contract if the cost benefited multiple objectives; and were adequately supported.

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 contract. Crowe identified – through review and evaluation of the contract executed by and between USAID and DAI – 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 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, 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. Five findings were identified that may be direct and material to the audit objectives and for which corrective action had not previously been deemed adequate. 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;

(Continued)

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, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract 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 one finding 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 contract; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued a disclaimer of opinion on the SPFS as DAI did not provide sufficient, appropriate audit evidence to support 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 contract. One material weakness in internal control was reported.

Crowe reported \$0 in 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 contract 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.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to DAI's financial performance under this contract. Four of the five prior audits referenced above contained audit findings that were direct and material to the award. From those four reports, Crowe identified five findings that were subject to review. Crowe conducted procedures to determine whether adequate corrective action had been taken on the five findings. Crowe concluded that DAI had taken adequate corrective action on each of the 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	Financial Statement Misstatements	Material Weakness	\$ -
Total Questioned Costs:			\$ -

(Continued)

Summary of Management Comments

DAI disagrees with Finding 2020-01. 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, with respect to contract number AID-306-C-16-00011 funding the Regional Agricultural Development Program-East ("RADP-East") for the period December 1, 2019 through July 20, 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 contract number AID-306-C-16-00011. 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 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 also 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.

(Continued)

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 contract number AID-306-C-16-00011, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Restriction on Use

This report is intended for the information of DAI, 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 9, 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, contracts, 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 9, 2021

DAI Global, LLC
SPECIAL PURPOSE FINANCIAL STATEMENT
CONTRACT NO. AID-306-C-16-00011
For the Period December 1, 2019 through July 20, 2020

	Budget	Actual	Questioned Costs		
			Ineligible	Unsupported	Notes
Revenues					
Contract No. AID-306-C-16-00011	\$ 28,126,110	\$ 3,520,486			
Total Revenue	<u>28,126,110</u>	<u>3,520,486</u>			4
Costs Incurred					
CLIN1: Analysis					
Labor	506,282	60,572			
Non-Labor Costs	1,693,916	215,370			
Fixed Fee	█	█			
Subtotal CLIN1	2,346,033	275,942			
CLIN2: Implementation					
Labor	4,168,393	498,419			
Non-Labor Costs	13,743,387	1,742,687			
Grants Under Contract	2,500,000	170,970			
Fixed Fee	█	█			
Subtotal CLIN2	21,692,748	2,744,255			
CLIN3: Feedback and Learning					
Labor	506,201	60,572			
Non-Labor Costs	1,697,305	214,606			
Fixed Fee	█	█			
Subtotal CLIN3	2,365,544	275,178			
Security					
Security	1,690,240	225,111			
Fixed Fee	█	█			
Subtotal Security	1,721,785	225,111			
Total Cost Plus Fixed Fee	28,126,110	3,520,486			
Balance		\$ <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
CONTRACT NO. AID-306-C-16-00011
For the Period December 1, 2019 through July 20, 2020

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under contract Number AID-306-C-16-00011 for USAID's Regional Agricultural Development Program-East ("RADP-East") for the period December 1, 2019 through July 20, 2020. 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. 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 contract. 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 ("USD") were prepared in accordance with DAI's exchange rate policy. To record financial transactions, DAI uses the exchange rate of the authorized bank or financial institution effecting the conversion of USD 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 fixed fee plus the amount of funds to which DAI is entitled to receive from the United States Agency for International Development ("USAID") Afghanistan for allowable, eligible costs incurred under the contract 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 within the final USAID approved budget per Contract Modification 5 dated May 21, 2019. Actual expenditures match the approved budget categories for the Contract. The budget amount covers the entirety of the contract performance period.

(Continued)

DAI Global, LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
CONTRACT NO. AID-306-C-16-00011
For the Period December 1, 2019 through July 20, 2020

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 contract 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

Grant Organization	Total Billed
Akhwat Poultry and Poultry Feed Company	\$ 1,997
Borj-e-Pamir Logistic Services	8,500
FINCA Afghanistan	20,281
Galaxy International Transit and Forwarding Ltd	45,310
Hakim Sanaee Salehi Agriculture Services Company	3,170
Kandahar Jelani Logistic Services Company	12,000
Mohammad Qasam Hardware Store	629
Munsif Haleemi Printing Services	1,071
Nutrition and Education International	16,653
Samsoor Poultry Feeds Production Company	4,952
SMS Ltd	407
Tahirzada Logistic and Construction Company	12,500
Yousuf Mosawer Solar Dryer Manufacturing	43,500
Grand Total	\$ 170,970

Note 9. Program Status

The Regional Agricultural Development Program-East (“RADP-East”) remains active to date. The period of performance for the contract is scheduled to conclude on July 20, 2021, as noted in Modification number 8 dated November 25, 2020. Accordingly, adjustments to amounts currently reported on the Statement may be made as a result of negotiated indirect cost rate agreements.

Note 10. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the December 1, 2019 to July 20, 2020 period covered by the Statement. The COVID-19 pandemic 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

DAI Global, LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
CONTRACT NO. AID-306-C-16-00011
For the Period December 1, 2019 through July 20, 2020

and safest way possible without jeopardizing the health of staff, beneficiaries, and other stakeholders. Management has performed their analysis through August 9, 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 contract number AID-306-C-16-00011 funding Regional Agricultural Development Program – East ("RADP-East") for the period December 1, 2019 through July 20, 2020. We have issued our report thereon dated August 9, 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 contract; 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 July 20, 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.

(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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the second paragraph of this section 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-01 to be a material weakness.

In addition, we identified certain matters that we reported to management via our letter dated August 9, 2021.

DAI's Response to the Finding

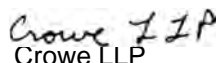
DAI's response to the finding identified in our audit is described in Appendix A of this report. DAI's response was not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on it.

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 of DAI, 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

August 9, 2021
Washington, D.C.

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 contract number AID-306-C-16-00011 funding Regional Agricultural Development Program – East ("RADP-East") for the period December 1, 2019 through July 20, 2020. We have issued our report thereon dated August 9, 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 accounting 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 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

(Continued)

Restriction on Use

This report is intended for the information of DAI, 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

August 9, 2021
Washington, D.C.

DAI GLOBAL, LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT AID-306-C-16-00011
For the Period December 1, 2019 to July 20, 2020

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. Five of twelve transactions selected for testing were incurred during the audit period but were improperly excluded from the SPFS. These transactions were excluded because DAI used a different basis of accounting to recognize when these costs were incurred. The total value of the improperly excluded costs was \$66,986. The omission occurred both within the initial versions of the SPFS provided for audit and within the final version of the SPFS.
2. The following errors were identified on the SPFS and within its notes:
 - DAI did not provide evidence of management's review and approval of the initial SPFS.
 - The SPFS header incorrectly stated the audit period end date as July 31, 2020. DAI corrected the date in the final SPFS presented in this report.
 - SPFS Note 4 – Revenue did not include a description of the fees earned under the contract. 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 contract 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

(Continued)

DAI GLOBAL, LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT AID-306-C-16-00011
For the Period December 1, 2019 to July 20, 2020

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 assumed the audit period end date was July 31, 2020 instead of the correct audit period end date of July 20, 2020 as stated in the audit engagement letter. Lastly, 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.

(Continued)

DAI GLOBAL, LLC
SECTION II: SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT OF FINDINGS
CONTRACT AID-306-C-16-00011
For the Period December 1, 2019 to July 20, 2020

Crowe reviewed five prior audits, reviews, or assessment reports. Four of the reports contained findings and recommendations. We assessed the findings to ascertain whether the matters reported in the findings were 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 prior audit findings.

The reports reviewed by Crowe are listed below:

1. SIGAR Audit 20-16-FA USAID’s Afghanistan 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, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Per our review of the reports, Crowe identified five prior findings that required follow up on corrective action.

Finding No. 2018-02: Accuracy of Property Records for RADP-East

Report: 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, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Issue: DAI did not maintain accurate property records in accordance with requirements. Many records were missing required variables, including location or acquisition cost. In addition, property records did not agree to inventory counts or to DAI’s general ledger.

Status: DAI provided documentation for the missing property information noted in the prior audit. DAI also provided the reconciliations of inventory records and the general ledger provided to USAID. Crowe performed testing over the accuracy of property records and did not note any exceptions in the current audit. Crowe noted DAI did not establish a procedure requiring a routine reconciliation process, as stated in the recommendation. However, as that recommendation is considered a best practice, this finding is not repeated.

(Continued)

DAI GLOBAL, LLC
SECTION II: SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT OF FINDINGS
CONTRACT AID-306-C-16-00011
For the Period December 1, 2019 to July 20, 2020

Finding No. 2018-03: Property Records not Updated for Lost, Stolen, Damaged, or Transferred Property

Report: 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, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Issue: DAI did not exercise adequate controls over government property records. The auditor selected eight items for testing and noted three of eight samples contained no information in the disposal column.

Status: In support of the prior audit finding’s recommendation, DAI modified the information included within their government property report to specifically state for each piece of property whether it was “disposed” or “not yet disposed”. Crowe performed testing over the accuracy of property records and did not note any exceptions. The matter is not repeated, and the corrective action was adequate.

Finding No. 2018-04: Internal Control and Compliance over Procurement Activities

Report: 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, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Issue: DAI did not adequately document compliance with procurement activities in accordance with Mission Order 201.05 and internal policies. DAI was unable to produce evidence that the appropriate review and approval occurred as stated in the Corporate Project Schedule of Authorities (SOA) in accordance with Policy 3.2.

Status: DAI provided copies of communications with USAID, along with the support documenting retroactive authority to the individual making the non-compliant procurements noted in the prior audit. In addition, Crowe tested internal controls and compliance over procurement activities and did not note any exceptions during the current audit. The finding was not repeated and the corrective action was adequate.

(Continued)

Finding No. 2018-05: Lack of Evidence of Management Review and Approval and Untimely Filing

Report: 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, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Issue: DAI did not exercise adequate controls over reporting to ensure the timeliness or appropriate review of the report before submission. Inadequate controls over reporting resulted in three reports that were filed past the required due date and a lack of supporting documentation of the review and approval of six quarterly reports.

Status: In support of the prior audit finding’s recommendation, DAI updated their procedures to include management’s review and approval of quarterly reports, after the Chief of Party (“COP”) has approved but before the report is submitted to USAID. Crowe requested proof of review and approval for the two quarterly reports selected. DAI provided documentation supporting management’s review and approval of the reports. In addition, DAI provided contract modification number 9, which adjusts the due dates of the quarterly reports from “2 weeks before” the quarter end to “within 15 days after” the quarter end. Crowe reviewed the submission dates for the reports under audit and determined that both reports would have been submitted on time. The finding was therefore not repeated and the corrective action was adequate.

Finding No. 2018-06: Unallowed Non-Labor G&A Indirect Costs Charged for RADP-East

Report: 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, Contract AID-306-BC-15-00005 for the Period June 23, 2015 through December 31, 2017. b) RADP East (Regional Agricultural Development Program East), Contract No. AID-306-C-16-00011 for the Period July 21, 2016 through December 31, 2017. c) MUSHARIKAT, Contract No. AID-306-TO-15-00073 for the Period September 2, 2015 through December 31, 2017.

Issue: DAI’s contracts with USAID incorporate the terms and conditions of the Negotiated Indirect Cost Rate Agreement (“NICRA”) agreement dated August 20, 2015. Section I of the NICRA stated the Indirect Cost Rates Base of Application should be “total costs excluding G&A and pass-through other direct costs.” As such, DAI was ineligible to apply the G&A rate in its NICRA to pass-through other direct costs (ODCs). DAI’s NICRA letter included four indirect cost rates labeled (a), (b), (c), and (e), leading one to presume the base of application labeled (d) was for the indirect cost rate labeled (e) for G&A.

Status: DAI did not concur with audit finding 2018-06 and accordingly no corrective action plan was prepared. However, the NICRA was updated and approved by USAID in July 2018 to clarify that the total for the G&A calculation excludes G&A costs and pass-through grant disbursements from the G&A base. The approved NICRA was retroactively applied to previous years. Crowe performed testing over the accuracy of indirect costs. Crowe was able to recalculate the indirect costs reported using the bases and rates stipulated in the NICRA and no exceptions were noted. The corrective action is no longer needed as USAID has since clarified the NICRA bases. This finding is not repeated.

Appendix A: Views of Responsible Officials

DAI Global provided the following response to Crow via email on August 9, 2021, regarding the findings contained in the report. The response has been included herein verbatim and source formatting retained.



August 9, 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 Regional Agricultural Development Program- East (RADP P-East) Contract No. AID-306-C-16-00011, for the period December 1, 2019 through July 20, 2020

This document is to provide DAI's response to the 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:

3. The amounts presented in the Special Purpose Financial Statement ("SPFS") were inconsistent with the accounting policies described in the Notes to the SPFS. Five of twelve transactions selected for testing were incurred during the audit period, but were improperly excluded from the SPFS. These transactions were excluded because DAI used a different basis of accounting to recognize when these costs were incurred. The total value of the improperly excluded costs was \$66,986. The omission occurred both within the initial versions of the SPFS provided for audit and within the final version of the SPFS.
4. The following errors were identified on the SPFS and within its notes:
 - DAI did not provide evidence of management's review and approval of the initial SPFS.
 - The SPFS header incorrectly stated the audit period end date as July 31, 2020. DAI corrected the date in the final SPFS presented in this report.

(Continued)

- SPFS Note 4 – Revenue did not include a description of the fees earned under the contract. 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 contract 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 assumed the audit period end date was July 31, 2020 instead of the correct audit period end date of July 20, 2020 as stated in the audit engagement letter. Lastly, 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:

4. Develop and document a procedure regarding the review and approval of SPFS's to ensure accurate, complete presentation of financial data;
5. 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

(Continued)

6. 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 contract number AID-306-C-16-00011. 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.

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

(Continued)

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. During the current three audits, in entrance conferences and numerous clarification meetings/exchanges, Crowe LLP did not express concern about the SPFS basis of accounting, or provide alternate instructions to DAI on the basis of accounting or presentation. 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 Auditor concluded the fieldwork on the audit of Regional Agricultural Development Program- East (RADP P-East) Contract No. AID-306-C-16-00011, held a fieldwork closeout meeting in January 2021, and held an exit conference on 11 March 2021, without raising an objection on the presentation of costs in the SPFS, the basis of accounting used, or the disclaimer of opinion. Likewise, DAI provided internal approval of the SPFS, and repeatedly consulted with the Auditor to obtain clarification on the audit period end date (20 July 2020). Upon confirming the correct audit period end date, DAI revised the SPFS accordingly. It is unclear what criteria the Auditor used to single out our clarification request as a "material weakness", as the matter was clearly communicated to and discussed with them, did not impact billing or reporting of costs to the 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.

(Continued)

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.

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

(Continued)

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 9, 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 one rebuttal 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.

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Public Affairs Officer

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- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202