

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 23-13 Financial Audit

USAID's Strengthening Watershed and Irrigation Management Program in Afghanistan: Audit of Costs Incurred by DT Global Inc.

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



FEBRUARY
2023

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On December 7, 2016, the U.S. Agency for International Development (USAID) Mission to Afghanistan awarded a 5-year, \$87,905,437 cost-plus-fixed-fee contract to AECOM International Development Inc. to support the Strengthening Watershed and Irrigation Management (SWIM) program. The contract included three options, with initial work implemented in Northern Afghanistan for \$47,930,389, and subsequent optional work in Afghanistan's West and South; USAID did not exercise the contract options for the West and South. The program's objectives were to, among other things, support sustainable, agriculture-led economic growth; strengthen water resource management; and increase agricultural productivity. USAID modified the contract 12 times. The modifications, among other things, acknowledged the name change from AECOM International Development Inc. to DT Global Inc. (DT Global) and increased the total award amount to \$57,680,938, but the period of performance remained unchanged.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$17,682,322 in costs charged to the contract from October 1, 2020, through December 6, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in DT Global'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 DT Global has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of DT Global's Special Purpose Financial Statement (SPFS). See Conrad'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 Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

February 2023

USAID's Strengthening Watershed and Irrigation Management Program in Afghanistan: Audit of Costs Incurred by DT Global Inc.

SIGAR 23-13-FA

WHAT SIGAR FOUND

Conrad identified one deficiency and one significant deficiency in DT Global's internal controls, and two instances of noncompliance with the terms of the contract. For example, Conrad found that DT Global did not provide evidence that it conducted required vetting (exclusion checks) for vendors, local day laborers, and training participants prior to payment. In another example, Conrad found that DT Global did not provide documentation showing that an employee received a cash payment for travel. SIGAR notified DT Global of these deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$6,894 in total questioned costs, consisting entirely of \$6,894 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval. Conrad did not identify any ineligible costs—costs prohibited by the contract and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$0	\$	\$
Indirect Costs	\$0	\$	\$
Total Costs	\$0	\$6,894	\$6,894

Conrad identified two prior audit reports that were relevant to DT Global's contract. The reports had nine findings that could have a material effect on the SPFS. Conrad conducted follow-up procedures and concluded that DT Global took adequate corrective action on all nine findings.

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

WHAT SIGAR RECOMMENDS

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

1. Determine the allowability of and recover, as appropriate, \$6,894 in questioned costs identified in the report.
2. Advise DT Global to address the report's two internal control findings.
3. Advise DT Global to address the report's two noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

February 8, 2023

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

Mr. Sean Callahan
USAID Mission Director for Afghanistan

We contracted with Conrad LLP (Conrad) to audit the costs incurred by DT Global Inc. (DT Global) under a U.S. Agency for International Development (USAID) Mission to Afghanistan 5-year, cost-plus-fixed-fee contract in support of the Strengthening Watershed and Irrigation Management (SWIM) program.¹ The program's objectives were to, among other things, support sustainable, agriculture-led economic growth; strengthen water resource management; and increase agricultural productivity. Conrad reviewed \$17,682,322 in costs charged to the contract from October 1, 2020, through December 6, 2021. Our contract with Conrad 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. Determine the allowability of and recover, as appropriate, \$6,894 in questioned costs identified in the report.**
- 2. Advise DT Global to address the report's two internal control findings.**
- 3. Advise DT Global to address the report's two noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements 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 DT Global's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated November 28, 2022, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. 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-242)

¹ The contract number is AID-306-C-17-00001.

DT Global Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. AID-306-C-17-00001

Awarded by the United States Agency for International Development's Mission in
Afghanistan, in support of the Strengthening Watershed and Irrigation Management
Program.

For the Period of October 1, 2020 through December 6, 2021

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November 28, 2022

Board of Directors
DT Global Inc.
Washington, DC

Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, VA 22202

Conrad LLP (referred to as "Conrad" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of DT Global, Inc.'s, Special Purpose Financial Statement under Contract No. AID-306-C-17-00001 awarded by the United States Agency for International Development's Mission in Afghanistan for the period October 1, 2020 through December 6, 2021, in support of the Strengthening Watershed and Irrigation Management Program.

On October 31, 2022, we provided SIGAR with a draft report reflecting our audit procedures and results. DT Global, Inc. received a copy of the report on October 31, 2022 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and DT Global, Inc. Additionally, DT Global Inc.'s responses and Conrad's corresponding rebuttals are incorporated into this report following our audit reports.

Thank you for providing us the opportunity to work with you, and to conduct the audit of this Contract.

Sincerely,

A handwritten signature in blue ink that reads "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA
Partner

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement
Contract No. AID-306-C-17-00001

Awarded by the United States Agency for International Development/Afghanistan
for the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

Background

On December 7, 2016, the United States Agency for International Development's ("USAID") Mission in Afghanistan awarded a 5-year cost-plus-fixed-fee contract, Contract No. AID-306-C-17-00001 ("Contract") to DT Global Inc.¹ ("DT Global") in support of the Strengthening Watershed and Irrigation Management ("SWIM") Program.

SWIM was organized as a five-year contract with the initial phase to be implemented only in the North region of Afghanistan with an option to expand up to two additional regions, Western and Southern Afghanistan. The SWIM project operated in five provinces in Northern Afghanistan (Balkh, Badakhshan, Baghlan, Samangan, and Jawzjan) and nationally in Kabul province, with a feasibility study undertaken for a large irrigation scheme in Kunduz province. SWIM contributed to two of the Ghani Administration goals: professional public administration in the agriculture-related ministries and promoting key economic sectors.

The purpose of the Strengthening Watershed and Irrigation Management activity was to support sustainable, agriculture-led economic growth. SWIM was to establish mutually reinforcing relationships between farmers, associations, and the Government of Islamic Republic of Afghanistan ("GIRoA") to promote sustainability and incorporate local capacity building to achieve more effective and efficient water resource planning and management.

Under the Contract, DT Global was required to provide capacity building, technical services, and related resources to support the following:

- Farmers and farm communities as they manage their water resources.
- The GIRoA in strengthening water resource management.
- USAID's Regional Agriculture Development Programs to increase agricultural water productivity.

There were three components to this Program's objectives:

- (1) Increased Productive and Sustainable Use of Water in Agriculture
- (2) Strengthen the Water Regulatory Framework
- (3) Strengthen Capacity of Local Entities to Manage Water Resources.

¹ According to AECOM's audited financial statement for fiscal year 2017, Notes to Consolidated Financial Statements, AECOM is a U.S. based public company. On July 26, 2019, the former international development arm of AECOM, Development Transformations, and the Global Peace and Development Charitable Trust joined together to form DT Global Inc., an independent, for-profit international development consulting firm which manages the Contract subject to this audit.

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement Contract No. AID-306-C-17-00001

Awarded by the United States Agency for International Development/Afghanistan
for the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

The initial Contract for the performance of work in the North region is \$47,930,389, the West region is \$22,649,730 and the South region is \$17,325,318 with the entire 5-year Contract being worth \$87,905,437. The original approved budget of the Contract under audit for the performance of work in the North region is \$21,401,612. There have been twelve subsequent modifications to the Contract, which increased the obligated amount for the North region to \$57,680,938 but did not have an effect on the period of performance. As of December 6, 2021, the Contract options for the West and South regions had not been exercised See the *Summary of Contract* below.

Summary of Contract

Contract Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
AID-306-C-17-00001	\$21,401,612	12/07/16	12/06/21	12	\$57,680,938	No Change

Work Performed

Conrad LLP (“Conrad”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of the Contract, as mentioned above, of DT Global’s Special Purpose Financial Statement (“SPFS”) for revenue received and costs incurred plus fixed fee under the Program totaling \$17,682,322 for the period October 1, 2020, through December 6, 2021.

Objectives, Scope, and Methodology

Audit Objectives

The objectives of the audit of the aforementioned Contract include the following:

- *Special Purpose Financial Statement (“SPFS”)* – Express an opinion on whether DT Global’s SPFS for the Contract presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the Contract and generally accepted accounting principles or other comprehensive basis of accounting.

(Continued)

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement Contract No. AID-306-C-17-00001

Awarded by the United States Agency for International Development/Afghanistan
for the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

- *Internal Controls* – Evaluate and obtain sufficient understanding of DT Global’s internal controls related to the Contract, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether DT Global complied, in all material respects, with the Contract requirements and applicable laws and regulations, and identify and report on instances of material noncompliance with terms of the Contract and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether DT Global 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 this audit included all costs incurred and revenues received plus fixed fee during the period of October 1, 2020, through December 6, 2021, totaling \$17,682,322 under the Contract. Our testing of indirect costs charged to the Contract was limited to determining that the indirect costs were calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (“NICRA”), Defense Contract Management Agency (“DCMA”), and subsequent applicable amendments.

Audit Methodology

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

Entrance Conference

An entrance conference was held on April 19, 2022, with representatives of DT Global, Conrad, SIGAR, and USAID participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of the audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of DT Global. The scope of our audit includes DT Global’s management and employees, internal and external factors that affect operations, and accounting

(Continued)

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement Contract No. AID-306-C-17-00001

Awarded by the United States Agency for International Development/Afghanistan
for the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

policies and procedures. We gained an understanding of DT Global through interviews, observations, and reading policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:

- Contract and modifications;
 - Any regulations that are specific to the Contract's requirements, such as USAID Acquisition Regulation ("AIDAR"), FAR Part 16, Types of Contracts, FAR Part 31, Contract Cost Principles and Procedures, FAR Part 44, Subcontracting Policies and Procedures, FAR Part 52, Solicitation Provisions and Contract Clauses;
 - Audited financial statements;
 - Previous SIGAR and financial audit reports
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs are properly recorded.

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Contract, and the applicable general ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Contract;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved provisional and final negotiated indirect cost rates to ensure that they were accurately applied.

Internal Controls Related to the Contract

We reviewed DT Global's internal controls related to the Contract to gain an understanding of the implemented system of internal control. We did this to obtain reasonable assurance of DT Global's financial reporting function and compliance with applicable laws and regulations. This review was accomplished through interviews with management and key personnel, reviewing policies and

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DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement Contract No. AID-306-C-17-00001

Awarded by the United States Agency for International Development/Afghanistan
for the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

procedures, and identifying key controls within significant transaction cycles and testing those key controls.

Compliance with the Contract Requirements and Applicable Laws and Regulations

We performed tests to determine whether DT Global complied, in all material respects, with the Contract's requirements, USAID Acquisition Regulation ("AIDAR"), Federal Acquisition Regulation, Part 31 ("FAR 31"), and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Contract and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Corrective Action on Prior Findings and Recommendations

We requested from DT Global to identify previous engagements that could have a material effect on DT Global's SPFS. In addition, we conducted a search online of various governmental websites including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other Federal agencies, to identify previous engagements that could have a material effect on DT Global's SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 26.

Exit Conference

An exit conference was held on September 26, 2022, via conference call. Participants included representatives from DT Global, Conrad, SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

We have summarized the details of these results in the Schedule of Findings and Questioned Costs subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS.

We identified \$6,894 in total questioned costs, which comprised of \$6,894 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Contract's provisions or applicable laws and regulations, or not related to the Contract. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on DT Global's SPFS. In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or

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DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement
Contract No. AID-306-C-17-00001

Awarded by the United States Agency for International Development/Afghanistan
for the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

abuse, which would be subject to reporting under *Government Auditing Standards*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

Internal Controls and Compliance

Our audit identified two internal control findings. One internal control finding is considered to be a significant deficiency and the other is considered to be a deficiency. See *Independent Auditor's Report on Internal Control* on page 15.

Compliance Findings

The results of our testing identified two instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 17.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. DT Global self-disclosed one instance of alleged fraud that could have potentially impacted SWIM and the SPFS. Based on further discussions with DT Global and review of the alleged incident of fraud, an internal investigation into these allegations was completed and USAID was notified. The allegation is still under USAID investigation but according to DT Global, USAID verbally confirmed that the allegation has been resolved and that it had no monetary effect on the program.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2022-01	Non-compliance and Internal Control – Significant Deficiency	Exclusion list checks were not performed	\$ -	\$ -	\$ -
2022-02	Non-compliance and Internal Control – Deficiency	Costs were not supported with sufficient documentation to determine cost allowability	-	6,894	6,894
Total Questioned Costs			\$ -	\$ 6,894	\$ 6,894

(Continued)

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement
Contract No. AID-306-C-17-00001

Awarded by the United States Agency for International Development/Afghanistan
for the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from DT Global, SIGAR, and USAID pertinent to DT Global's activities under the Contract. We identified two (2) prior audit reports with nine (9) findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, which included a discussion with the management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. Based on our review, DT Global had taken adequate corrective actions on nine (9) of the findings and recommendations. See *Status of Prior Audit Findings* on page 26 for a detailed description of the prior findings and recommendations.

Summary of DT Global's Responses to Findings

The following represents a summary of the responses provided by DT Global to the findings identified in this report. The complete responses received can be found at **Appendix A** starting at page 30 of this report.

Finding 2022-01 – DT Global partially agreed with the finding and recommendations. DT Global accepted the finding but stated that they believe their policies and procedures are sufficient to minimize the risk of the U.S. Government funding individuals or organizations that support or may be involved in terrorism.

Finding 2022-02 – DT Global agreed with the finding and recommendations.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
DT Global, Inc.
Washington, DC

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of DT Global, Inc. ("DT Global") and the related notes to the Special Purpose Financial Statement, with respect to the Contract No. AID-306-C-17-00001 ("Contract") awarded by the U.S. Agency for International Development ("USAID") in support of the Strengthening Watershed and Irrigation Management Program, for the period of October 1, 2020 through December 6, 2021.

Management's Responsibility for the Special Purpose Financial Statement

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Special Purpose Financial Statement referred to above present fairly, in all material respects, the revenues earned, costs incurred, and balances for the indicated period in accordance with the terms of the Contract for the period October 1, 2020 through December 6, 2021, in accordance with the terms of the Contract and conformity with the basis of accounting described in Note 2.

Basis of Presentation and Accounting

We draw attention to Notes 1 and 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Special Purpose Financial Statement, the statement is prepared by DT Global on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 28, 2022 on our consideration of DT Global's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Contract, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DT Global's internal control over financial reporting and compliance.

Restriction on Use

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



Lake Forest, California
November 28, 2022

(Continued)

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement
 Contract No. AID-306-C-17-00001
 Awarded by the United States Agency for International Development/Afghanistan
 For the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
Contract No.						
AID-306-C-17-00001			\$	\$	\$	■
Total Revenue						
CLIN 0001						
Direct						
Indirect						
CLIN 0002						
Direct						
Indirect						
CLIN 0003						
Direct						
Indirect						
Grants						
CLIN 0004						
Direct						
Direct				■	■	■
Fringe				■	■	■
Indirect				■	■	■
Security				■	■	■
Unbillable Cost						
Direct						
Indirect						
Fixed Fee						
Total Costs Incurred	<u>\$57,680,938</u>	<u>\$17,682,322</u>	<u>\$ -</u>	<u>\$ 6,894</u>	<u>\$ 6,894</u>	

See Notes to the Special Purpose Financial Statement and Notes to Questioned Costs Presented on the Special Purpose Financial Statement

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement
Contract No. AID-306-C-17-00001
Awarded by the United States Agency for International Development/Afghanistan
For the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

Notes to Special Purpose Financial Statement²

(1) Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Contract Number AID-306-C-17-00001 for the Afghanistan Strengthening Watershed and Irrigation Management ("SWIM") for the period October 1, 2020 through December 6, 2021. Because the Statement presents only a selected portion of the operations of DT Global, it is not intended to and does not present the financial position, changes in net assets, or cash flows of DT Global. The information in this Statement is presented in accordance with the requirements specified by SIGAR and is specific to the before mentioned Federal Contract. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Basis of Accounting

Revenues and expenditures reported on the Statement are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Title 48, Part 31 of the Code of Federal Regulations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Foreign Currency Translation Method

The Statement contains expenses translated into U.S. dollars ("USD"). Expenses paid in Afghani (local currency) are converted into USD (reporting currency) by using the weighted average monthly rate, which is calculated based on monthly transfers from the USD bank account to the local currency bank account. Currency fluctuations between monthly rates are not included as an expense to the project.

(4) Revenues

Revenues on the Statement represent the amount of funds to which DT Global Inc. is entitled to receive from USAID for allowable, eligible costs incurred including the earned fixed fee under the Contract during the period of performance.

(5) Costs Incurred by Budget Category

The Budget costs contained in the Statement reflect the budgeted values of the project as described in the award contract dated December 7, 2016. This contract has 4 CLINs with two specific budget categories in each of the CLINs: Direct and Indirect categories. The direct line categories include project direct costs and fringe indirect costs. The indirect line category includes Overhead and G&A indirect costs. Security budget line category includes only direct costs for security.

²The Notes to the Special Purpose Financial Statement are the responsibility of DT Global.

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement
Contract No. AID-306-C-17-00001

Awarded by the United States Agency for International Development/Afghanistan
For the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

Notes to Special Purpose Financial Statement²

(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.

(7) Currency

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

(8) Program Activity Status

SWIM project period of performance ended on December 6, 2021. However, the Special Purpose Financial Statement reflects ongoing closeout activities and expenses through March 31, 2022.

(9) Indirect Cost

DT Global has an approved Negotiated Indirect Cost Rate Agreement ("NICRA") which establishes the following indirect cost rates:

Type	Effective Period		Indirect Cost Rate		
	From	Through	Fringe Benefits	Overhead	General Administrative
Provisional	████████	████████	████████	████████	████████

(10) Subsequent Events

DT Global has performed an analysis of the activities and transactions subsequent to the October 1, 2020 through December 6, 2021, period covered by the Statement. Management has performed their analysis through November 28, 2022.

²The Notes to the Special Purpose Financial Statement are the responsibility of DT Global.

DT Global, Inc.

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For the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement³

(A) Direct Costs

DT Global reported a total of \$ [REDACTED] in Direct Costs – CLIN0004 for the period of October 1, 2020 through December 6, 2021, which includes \$ [REDACTED] in various direct costs and \$ [REDACTED] in fringe benefit costs. During our audit of these costs to determine the allowability and support adequacy of costs incurred, we noted the following:

- Two (2) instances where DT Global ran a Visual Compliance check for two vendors which resulted in positive matches on the exclusion lists. However, DT Global did not provide evidence of a diligent search to determine if the matches were valid prior to payment. DT Global provided further investigation during the audit to show these vendors were not the same as the positive matches. As such, no costs were questioned. **See Finding 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- Two (2) instances where DT Global did not check hired local day labor against exclusion lists prior to payment. Each of these instances contained hundreds of local day laborers, Conrad performed exclusion checks on these hired local day laborers and did not find any positive matches for the Afghanistan region. As such, no costs were questioned. **See Finding 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- Three (3) instances where DT Global did not check training participants against exclusion lists prior to payment. Each of these instances contained hundreds of training participants, Conrad performed exclusion checks on these training participants and did not find any positive matches for the Afghanistan region. As such, no costs were questioned. **See Finding 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where the documentation to demonstrate that an employee received the cash payment was not provided. DT Global was unable to provide adequate support showing that a payment for travel expenses was received by the employee. This resulted in unsupported travel and per diem costs of \$364. **See Finding 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- Three (3) instances where an employment contract extension was not provided as evidence that the employees were authorized to work. This resulted in \$ [REDACTED] in unsupported direct costs. **See Finding 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.

³ The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.

DT Global, Inc.

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Notes to Questioned Costs Presented on the Special Purpose Financial Statement³

(B) Indirect Costs

DT Global reported a total of \$ [REDACTED] for Indirect Costs – CLIN0004 for the period of October 1, 2020, through December 6, 2021. The indirect costs associated with unsupported costs identified in **Note A** above resulted in total questioned indirect costs of \$ [REDACTED].

Note	Questioned Costs	Associated Overhead ([REDACTED])	Associated General & Administrative ([REDACTED])	Total Associated Indirect Costs
A - Travel	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
A – Direct Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Totals	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

*The associated General & Administrative indirect cost rate is applied to the sum of questioned costs plus the associated overhead indirect cost rate. [REDACTED].

³ The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
DT Global, Inc.
Washington, DC

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

We have audited, the Special Purpose Financial Statement ("Statement") and related notes to the Statement, 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, by DT Global, Inc. ("DT Global") under Contract No. AID-306-C-17-00001 ("Contract") in support of the Strengthening Watershed and Irrigation Management Program for the period of October 1, 2020 through December 6, 2021. We have issued our report thereon dated November 28, 2022 with an unmodified opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of October 1, 2020 through December 6, 2021, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Special Purpose Financial Statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

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. 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 first 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified. We did identify two deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Finding 2022-01 is considered to be a significant deficiency and 2022-02 is considered to be a deficiency.

DT Global's Response to Findings

DT Global's response to the findings identified in our audit is included verbatim at *Appendix A*. DT Global's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial 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 result of that testing, and not to provide an opinion on the effectiveness of DT Global'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 DT Global Inc., the United States Agency for International Development/Afghanistan, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905, should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by the Special Inspector General for Afghanistan Reconstruction in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, flowing style.

Lake Forest, California
November 28, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
DT Global, Inc.
Washington, DC

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

We have audited, the Special Purpose Financial Statement ("Statement") and related notes to the Statement, 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, by DT Global, Inc. ("DT Global") under Contract No. AID-306-C-17-00001 ("Contract") in support of the Strengthening Watershed and Irrigation Management Program for the period of October 1, 2020 through December 6, 2021. We have issued our report thereon dated November 28, 2022 with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DT Global's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Contract, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2022-01 and 2022-02.

DT Global's Response to Findings

DT Global's response to the findings identified in our audit is included verbatim at *Appendix A*. DT Global's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

Purpose of this Report

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

Restriction on Use

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

Conrad LLP

Lake Forest, California
November 28, 2022

DT Global, Inc.

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Schedule of Findings and Questioned Costs

Finding 2022-01: Exclusion checks were not performed

Nature of Finding: Non-Compliance; Internal Control – Significant Deficiency

Condition: Conrad tested 387 samples out of 2,829 direct cost transactions in Direct and Security cost categories under CLIN0004 to determine if direct costs incurred under the Contract were adequately supported, accurate, and properly approved. The tested Direct and Security costs transactions represented a combined total of \$1,843,408 out of a total of \$4,017,293 for these transactions. During our testing of direct costs, Conrad determined that DT Global did not follow their Due Diligence Policy or the Contract requirements to check vendors and individuals receiving funds from the United States government against exclusion lists. In addition, DT Global does not require exclusion checks to be performed on casual day laborers and training participants. As such, none of the casual day laborers or training participants in our testing, who received cash payments, during the audit period were checked against the exclusion lists.

- For 2 out of the 387 samples tested for CLIN0004, DT Global ran a Visual Compliance check for two vendors which resulted in positive matches on the exclusion lists. DT Global did not provide evidence of further investigation to determine if the vendors were actual matches on exclusion lists prior to payment. However, DT Global provided further investigation during the audit to show these vendors were not the same as the positive matches. As such, this did not result in questioned costs.
- For 2 out of the 387 samples tested for CLIN0004, DT Global did not check any hired local day laborers against exclusion lists prior to payment. Both samples contained hundreds of local day laborers each, Conrad performed exclusion checks on these hired local day laborers and did not find any positive matches for the Afghanistan region. As such, no costs were questioned.
- For 3 samples out of the 387 samples tested for CLIN0004, DT Global did not check any training participants against exclusion lists prior to payment. Each sample included hundreds of training participants, Conrad performed exclusion checks on these training participants and did not find any exact matches for the Afghanistan region. As such, no costs were questioned.

Criteria:

DT Global's Due Diligence Policy, section 1. Purpose, states in part:

"This document outlines DT Global's policy on the use of due diligence checks, including Internet searches, restricted party screening (RPS), and in-depth due diligence reports. The due diligence process is part of DT Global's standard business processes to identify and manage or prevent activities involving restricted or fraudulent entities.

This document provides expectation and acceptable practices for the hiring of personnel and procurement of goods and services on behalf of DT Global, its clients, and third parties."

(Continued)

DT Global, Inc.

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DT Global's Due Diligence Policy, section 3. Requirements, states in part:

"This policy commits DT Global, and every individual involved in procurement and hiring to use their best efforts to ensure the organization's procurement and contracting activities are carried out in accordance with the DT Global Due Diligence Policy.

Due diligence checks must be conducted prior to:

- hiring new long- or short-term personnel, in any program field office;*
- contracting with a new vendor, party, or service provider; and*
- exporting equipment, technical data, software, samples, or supplies.*

This will ensure that procurement and hiring activities

- Do not violate any USG regulations regarding business with restricted, denied, sanctioned, blocked or debarred parties..."*

DT Global's Due Diligence Policy, section 4. Implementation, states in part:

"The due diligence process includes the following methods to determine the eligibility of potential staff members and business partners:

1) Internet Search

DT Global uses Internet (Google) searches to find and review any publicly available information related to a potential new hire, beneficiary, or vendor/supplier...

2) Restricted party screening (RPS)

Also known as Denied Party Screening, SDN screening, and sanctions screening, RPS supports compliance with export control and sanction program regulations as well as US Government (federal and state) non-procurement orders and other initiatives.

To carry out RPS, DT Global US has institutional license to Visual Compliance, a web-based screening tool for conducting restricted party screenings. Visual Compliance screens against export restrictions; USG sanctions lists; GSA Procurement Exclusions (including SAM/EPLS); police lists; PDP/OIG lists; and International Sanctions Lists as well as many other U.S. government and foreign restriction lists.

3) Due Diligence Reports

A Due Diligence Report is typically written when other means of due diligence (Internet search, RPS) reveals red flags that need to be researched and addressed more fully prior to entering a business transaction."

(Continued)

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DT Global's Due Diligence Policy, Hiring, states in part:

*“SCREENING OF CCNS FOR LOCAL LONG-TERM POSITIONS (FIELD OFFICES)
Before requesting approvals and, if approvals are not required, before issuing offers and an employment agreement, either the Field HR Representative or designated individual must run a Visual Compliance search on the selected candidate.*

The HR Representative is required to contact the HO PMU to obtain the login information to Visual Compliance for the project. They are required to share with their respective team. Employment agreements can NOT be issued without the Visual Compliance Report confirming the candidate is eligible.

*SCREENING OF CCNS FOR LOCAL CONSULTING POSITIONS (FIELD OFFICES)
Prior to extending an offer for a short-term consulting position in a DT Global field office, the Field HR Manager or designated individual must conduct a Visual Compliance screening of the individual.”*

DT Global's Due Diligence Policy, Attachment 2, Visual Compliance Vetting Procedures, Positive Match, states in part:

“...If a positive match is made, it is a prudent practice to continue with a diligent search to determine if it is valid match.

If the project believes that there are compelling reasons for making an award to a debarred, suspended or voluntarily excluded person in a particular area, US Government approval will be required.

Under no circumstances will employees buy goods or services, commit DT Global's funds, or extend an offer of employment without documenting the RPS screening results appropriately.”

DT Global's Due Diligence Policy, Attachment 5, Due Diligence Report, states in part:

“If necessary, DT Global will prepare an in-depth Due Diligence Report prior to hiring a new team member or contracting with a new vendor or beneficiary. A Due Diligence Report is typically written when other means of due diligence (Internet search, RPS) reveals red flags that need to be researched and addressed more fully prior to entering a business transaction.

WHEN DO YOU NEED A DUE DILIGENCE REPORT?

When conducting initial due diligence checks, red flags may appear. If offensive or disparaging information is found, it must be verified with the original source of the information (i.e., the

(Continued)

DT Global, Inc.

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reporting court jurisdiction or online reviewer) to ensure the highest level of accuracy and to pass federal compliance regulations.

This next level of due diligence involves further investigation and summary of findings via a report. This level of detail can be described as "filling in the gaps."

Section H.28 of the Contract USAID/Afghanistan Implementation of Executive Order 13224 on Terrorism Financing (Aug 2016) states:

"The Contractor/Recipient is reminded that U.S. Executive Orders and U.S. law prohibits transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the legal responsibility of the contractor/recipient to ensure compliance with these Executive Orders and laws. This provision must be included in all subcontracts/sub-awards issued under this contract/agreement."

Cause: DT Global did not adhere to its Due Diligence Visual Compliance Vetting procedures when vendors appeared as potential matches on the exclusion list and did not provide evidence of a due diligence report conducted to determine if these matches were valid. In addition, DT Global's policy does not specifically state that exclusion list checks should be performed on local laborers and training participants and their practices do not require performing checks on these individuals.

Effect: Failure to perform exclusion list checks increases the risk that the U.S. Government is funding individuals or organizations who support or may be involved in terrorism, and that the costs are ineligible for reimbursement.

Questioned Costs: No costs were questioned as a result of this finding.

Recommendation:

- (1) We recommend that DT Global develop an additional layer of internal control monitoring and management oversight to ensure exclusion checks are conducted in accordance with DT Global's Due Diligence Policy and to ensure that U.S. Government funds are not used to pay individuals, including local laborers and training participants, who support or are involved in terrorism activities.
- (2) We recommend that DT Global retain and maintain sufficient and appropriate documentation evidencing exclusion checks were performed, including additional investigation reports if there are any potential matches when visual compliance is done.

(Continued)

DT Global, Inc.

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Schedule of Findings and Questioned Costs

Finding 2022-02: Costs were not supported with sufficient documentation to determine cost allowability

Nature of Finding: Non-Compliance; Internal Control – Deficiency

Condition: Conrad tested 387 samples out of 2,829 direct cost transactions in Direct and Security cost categories under CLIN0004 to determine if direct costs incurred under the Contract were adequately supported, accurate, and properly approved. The tested Direct and Security costs transactions represented a combined total of \$1,843,408 out of a total of \$4,017,293 for these transactions. During our testing of direct costs under CLIN 0004, we noted the following:

- 1) Out of the 387 samples tested for CLIN0004, Conrad tested 13 transactions related to travel and per diem costs. The tested travel and per diem transactions represented \$71,488 out of a total \$4,017,293 in CLIN0004. Based on our testing we noted that in 1 out of 13 travel and per diem transactions tested, DT Global was unable to provide support showing that a cash payment for travel expenses was received by the employee, because the employee did not sign the pre-numbered Petty Cash Receipts Form to document receipt of payment. This resulted in unsupported costs of \$364.
- 2) Out of the 387 samples tested for CLIN0004, Conrad tested 104 transactions related to direct labor costs. The tested direct labor costs transactions represented \$285,017 out of a total \$4,017,293 in CLIN0004. For 1 sample out of the 104 direct labor samples tested, an employee's employment term ended and an extension to the employment term was not provided as evidence that the employee was authorized to continue work on the Program. This resulted in unsupported costs of \$1,585.
- 3) Out of the 387 samples tested for CLIN0004, Conrad tested 66 transactions related to CCN field office payroll costs. The tested CCN field office payroll costs transactions represented \$17,537 out of a total \$4,017,293 in CLIN0004. For 2 samples out of the 66 CCN field office payroll transactions tested, the employee's employment term ended and an extension to the employment term was not provided as evidence that the employees were authorized to continue work on the Program. This resulted in unsupported costs of \$1,925.

Criteria:

FAR 31.201-2(d), Determining allowability, states:

“A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost that is inadequately supported.”

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DT Global/AECOM² International Finance and Accounting Manual for SWIM, in part, states:

“Anyone who receives cash payments must sign off on the pre-numbered Petty Cash Receipts Form (Attachment 3-N) at the time of payment. This includes all vendors and employees.”

DT Global/AECOM Employee Manual for the SWIM Program, Section 2.15 End of Agreement states:

“The date of the end of the contract is the last day of work for the employee. The employee is not obligated to work beyond the end of the agreement, and AECOM is not obligated to offer employment beyond the end of the agreement. If AECOM wants to extend an agreement, it must make an offer to extend employment to the employee, and the employee has the option to accept or reject this offer. For employees ending employment at the end of the agreement, AECOM will make payment for any annual leave not already taken.”

DT Global’s IT Policy, Section 4 Data Storage and Retention, states in part:

“4. Data Storage and Retention.

4.1. Upon joining DT-Global, all staff will be allocated 1TB of storage in OneDrive.

4.2. All work-related files must be stored in OneDrive, either in the user's personal OneDrive, or on one of the shared site libraries (SharePoint).

4.3. OneDrive files can only be synced to DT-Global domain joined computer...

...4.11. Data backups of individual data stores, departmental and workgroup shares are performed on a daily basis. Data can be restored as far back as 30 days from the time they were deleted or modified...

...4.13. Project networks are part of the DT-Global network and are configured following standards that ensure uptime, accessibility and minimum loss of data. Requirements include the following:

- Networks are setup correctly the first time and fit into the DT-Global standards.*
- A trusted resource is used to do the set-up.*
- Data back-up, recovery and contingency procedures are in place.*
- End users are trained on the systems.*
- The project IT support person understands DT Global's network administration procedures.*
- Systems are enabled to allow for remote access.”*

² DT Global adopted some of AECOM’s policies in continue carrying out the SWIM program when DT Global was formed.

DT Global, Inc.

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Cause: DT Global did not follow their policy that a petty cash receipt form be signed by the employee receiving a cash payment because the employee was working remotely. Also, DT Global did not follow their IT Policy for daily data storage and retention, which requires all files to be stored on OneDrive or SharePoint. Further, they failed to perform the required daily back up of individual data stores because staff were no longer working in the SWIM office during the exit of United States military from Afghanistan.

Effect: Unsupported payments for travel and per diem, direct labor and CCN payroll costs may have resulted in an overpayment of direct costs by the U.S. Government.

Questioned Costs: We identified \$ [REDACTED] in unsupported costs and \$ [REDACTED] in associated indirect costs, which resulted in \$6,894 in total questioned costs.

Recommendation:

- (1) We recommend that DT Global either provide USAID with support demonstrating the questioned costs are allocable to the SWIM program or return \$6,894 in questioned unsupported costs.
- (2) We recommend DT Global issue an internal memo reinforcing their policy and procedure for cash payments and develop additional oversight controls and policy and procedures to ensure employees strictly follow its Finance and Accounting Manual regarding signed petty cash receipts when an employee receives a cash payment.
- (3) We recommend that DT Global develop additional oversight controls and policy and procedures to ensure adherence to their policies and procedures for daily retention of data including employment extension contracts, even during any emergency situations.

(Continued)

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement
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For the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

Status of Prior Findings

We requested prior audit reports, evaluations, and reviews from DT Global, SIGAR, and USAID pertaining to DT Global and activities under this Contract and other Government funded awards. We identified two prior audit reports which contained nine findings and recommendations that could have a material effect on the SPFS and other financial data significant to the audit objectives. Our review procedures included a follow-up discussion with DT Global's management, as well as conducting similar tests surrounding the identified areas during our current audit. We have summarized the results of our procedures below:

- (1) DT Global, Inc. - SIGAR FA 22-06 - USAID's Technical Assistance to the Afghanistan Urban Water Supply and Sewerage Corporation ("AUWS"): Audit of Costs Incurred by DT Global Inc. for the period October 1, 2019 through September 30, 2020

Finding 2020-01: Noncompliance with Authorized Work Week Contract Requirements

Issue: The audit firm noted that for all 15 of the subcontractor labor samples tested, DT Global did not produce supporting documentation showing that each of the three subcontractor's employees worked the minimum 8 hours per day and 40 hours per week required by the contract which resulted in \$657,094 questioned costs.

Status: For the current engagement, we noted that DT Global did not have any repeated issues related to providing supporting documentation of subcontractor's employees working the minimum number of hours as required by the contract. It appears that adequate controls have been put into place. As such, we concluded that DT Global has taken adequate corrective action on this finding.

Finding 2020-02: Untimely Submission of and Errors in Annual Inventory Reports

Issue: The audit firm noted the following issues for the September 30, 2019 fiscal year end Annual Non-Expendable Property ("NXP") report:

- Was submitted on November 8, 2019, which is 9 days after the submission deadline of October 30, 2019 or 30 calendar days after the end of each USAID fiscal year;
- Included 118 items for a total value of \$20,084 which should not have been identified as NXP due to their individual values not exceeding \$500.

The audit firm also noted the following issues for the September 30, 2020 fiscal year end Annual NXP report:

- Was submitted on March 26, 2021, which is 148 days after the submission deadline of October 30, 2020;
- Included 10 items with a value less than \$500 for a total value of \$1,475 which should not have been identified as NXP;
- Contained total AUWS purchases of \$34,858 whereas the total FY20 NXP per the general ledger is \$35,636, resulting in a \$778 variance;

DT Global, Inc.

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Status of Prior Findings

- Included a report summary section that stated the “total value of property as of the reporting date” was \$244,623. This total did not tie to the total value of the items listed in the detailed property listing. The detailed property listing supports the amounts included in the NXP report. The detailed listing totaled \$223,955, resulting in a \$20,668 variance;
- Contained foreign currency translations inconsistent with DT Global’s established practices.

Status: For the current engagement, we noted that DT Global submitted the annual report for the year ended September 30, 2021 timely on November 4, 2021 with a due date of November 30, 2021. Also, for the current engagement, we noted that DT Global did not have any repeated issues related to annual inventory reports. As such, we concluded that DT Global has taken adequate corrective action on this finding.

Finding 2020-03: Indirect Cost True-up Not Completed Resulting in Overbilled Overhead

Issue: The auditor firm noted that DT Global included occupancy costs in their Overhead 2 (“OH2”), Overhead 3 (“OH3”), and General and Administration (“G&A”) base from which the indirect costs were calculated. In addition, DT Global used provisional rates to calculate and report indirect costs on the SPFS. However, DT Global received approved Negotiated Indirect Cost Rate Agreement (“NICRA”) indirect costs rates from USAID during the audit period which was signed by DT Global and USAID. Administration (“G&A”) base from which the indirect costs were calculated DT Global completed the adjustment calculation in February 2021 to correct the misstatement on the SPFS. A \$224,076 understatement was identified as part of the calculation. This issue resulted in a total of \$256 in questioned costs.

Status: For the current engagement, we noted that DT Global completed indirect cost adjustment calculations for previous years on 3 separate invoices during our audit period. For our engagement, no issues were repeated of applying the incorrect indirect cost allocation base or rates during our testing of indirect costs. As such, we concluded that DT Global has taken adequate corrective action on this finding.

Finding 2020-04: Noncompliance with Financial Reporting Requirements

Issue: The audit report stated that Quarterly Financial Reports submitted by DT Global, which reflect costs billed-to-date, noted that the reports do not include accrued amounts. Therefore, the auditors determined that the financial reports are incomplete per the contract requirements.

Status: For the current engagement, we noted that DT Global did not have any repeated issues related to providing accurate quarterly financial reports. It appears that adequate controls have been put into place. As such, we concluded that DT Global has taken adequate corrective action on this finding.

(Continued)

DT Global, Inc.

Financial Audit of the Special Purpose Financial Statement
Contract No. AID-306-C-17-00001
Awarded by United States Agency for International Development/Afghanistan
For the Strengthening Watershed and Irrigation Management Program

For the Period of October 1, 2020 through December 6, 2021

Status of Prior Findings

Finding 2020-05: Lack of Review and Approval of Required Quarterly Reports and Noncompliance with USAID/Afghanistan Geographic Information System (“GIS”)/Global Positioning System (“GPS”) Quarterly Reporting Requirements

Issue: The audit report stated that during their inquiry with DT Global, it was determined that DT Global did not conduct a review of the required quarterly reports prior to submission to USAID. Through the auditor’s inquiry with DT Global, it was noted DT Global did not submit the GIS/GPS reports on a quarterly basis during the audit period. Therefore, DT Global was unable to produce reports for audit.

Status: For the current engagement, we noted that DT Global did not have any repeated issues related to the review and approval of USAID/Afghanistan Geographic Information System (“GIS”)/Global Positioning System (“GPS”) Quarterly Reporting Requirements. It appears that adequate controls have been put into place. As such, we concluded that DT Global has taken adequate corrective action on this finding.

Finding 2020-06: Misstatement on the Special Purpose Financial Statement (SPFS) and Notes to the SPFS

Issue: The audit report stated that since DT Global is on an accrual basis, costs should have been included in the SPFS Revenue line item regardless of billing status. Due to management’s assertion that the SPFS was prepared on the accrual basis, the auditors expected value of the balance account was \$0.

Status: For the current engagement, we noted that DT Global made adjustments for the accruals and accounted for the costs timely on the SPFS. It appears that adequate controls have been put into place. As such, we concluded that DT Global has taken adequate corrective action on this finding.

- (2) DT Global, Inc. - SIGAR 19-43 Financial Audit USAID’s Strengthening Watershed and Irrigation Management Program: Audit of Costs Incurred by AECOM International Development Inc. for the period December 7, 2016 through September 30, 2018

Finding 2019-01: Lack of Evidence to Support Those Employees and Consultants Meet the Pre-deployment Requirements Per the Contract

Issue: The audit report stated AECOM could not provide evidence of medical clearance prior to pre-deployment for two employees, who were in Afghanistan for over 60 days during the period of the audit. AECOM could not provide a written statement from the doctor for medical clearance prior to pre-deployment for one consultant who was in Afghanistan for less than 60 days during the period of our audit which resulted in questioned costs of \$1,389,710.

(Continued)

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Status of Prior Findings

Status: For the current engagement, we noted that DT Global did not have any repeated issues related to providing evidence of employees or consultants receiving medical clearance prior to deployment to Afghanistan. It appears that adequate controls have been put into place. As such, we concluded that DT Global has taken adequate corrective action on this finding.

Finding 2019-02: Insufficient Evidence to Support Compliance with Fly America Act

Issue: The audit report stated AECOM was unable to provide sufficient documentation to support that it had met the requirements of the Fly America Act, including a lack of evidence of travel booked with a U.S. Flag air carrier. In addition, AECOM lacked evidence of documentation to support its reasoning for choosing a non-U.S. Flag air carrier which resulted in a total of \$4,823 in questioned costs.

Status: For the current engagement, we noted that DT Global did not have any repeated issues related to providing evidence to support compliance with Fly America Act during our testing of travel and per diem costs. It appears that adequate controls have been put into place. As such, we concluded that DT Global has taken adequate corrective action on this finding.

Finding 2019-03: Incorrect Personnel Cost Claimed

Issue: The audit report stated one amount of an employee's salary claimed was more than the actual paid salary which resulted in a total \$1,020 in questioned costs.

Status: For the current engagement, we noted that DT Global did not have any repeated issues related to the accuracy of payroll payment preparation. It appears that adequate controls have been put into place. As such, we concluded that DT Global has taken adequate corrective action on this finding.

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DT Global's Responses to Audit Findings

Included on the following page are DT Global's responses received to the findings identified in this report.

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DT Global's Responses to Audit Findings

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Finding 2022-01: Exclusion checks were not performed

Nature of Finding: Non-Compliance; Internal Control – Significant Deficiency

Cause: DT Global did not adhere to its Due Diligence Visual Compliance Vetting procedures when vendors appeared as potential matches on the exclusion list and did not provide evidence of a due diligence report conducted to determine if these matches were valid. In addition, DT Global's policy does not specifically state that exclusion list checks should be performed on local laborers and training participants and their practices do not require performing checks on these individuals.

Effect: Failure to perform exclusion list checks increases the risk that the U.S. Government is funding individuals or organizations who support or may be involved in terrorism, and that the costs are ineligible for reimbursement.

Questioned Costs: No costs were questioned as a result of this finding.

DT Global Response:

DT Global is confident that current policies and procedures serve to sufficiently minimize the risk that US Government is funding individuals or organizations that support or may be involved in terrorism. We agree with the recommendation DT Global should maintain sufficient and appropriate documentation evidencing the results of any exclusion checks performed and perform additional investigation if deemed appropriate based upon exclusion check results.

Finding 2022-02: Costs were not supported with sufficient documentation to determine cost allowability

Nature of Finding: Non-Compliance; Internal Control – Deficiency

Cause: DT Global did not follow their policy that a petty cash receipt form be signed by the employee receiving a cash payment because the employee was working remotely. Also, DT Global did not follow their IT Policy for daily data storage and retention, which requires all files to be stored on OneDrive or SharePoint. Further, they failed to perform the required daily back up of individual data stores because staff were no longer working in the SWIM office during the exit of United States military from Afghanistan.

Effect: Unsupported payments for travel and per diem, direct labor and CCN payroll costs may have resulted in an overpayment of direct costs by the U.S. government.

Questioned Costs: We identified \$ [REDACTED] in unsupported costs and \$ [REDACTED] in associated indirect costs, which resulted in \$6,894 in total questioned costs.

DT Global Response:

DT Global agrees with the finding that costs were not supported with sufficient documentation to determine cost allowability. DT Global will return the \$6,894 in questioned unsupported costs as recommended. DT Global will also reinforce requirements to ensure staff follow proper policies and procedures when faced with challenging situations similar to those encountered during the Afghanistan exit.

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Auditor's Rebuttal to DT Global's Responses

DT Global, Inc. partially agreed with Finding 2022-01 and agreed with Finding 2022-02. We have reviewed DT Global's responses and provided the following rebuttals:

Finding 2022-01: DT Global partially agreed with the finding and agreed with the recommendations. DT Global stated they are confident their current policies and procedures serve to sufficiently minimize the risk that U.S. Government is funding individuals or organizations that support or may be involved in terrorism. However, they did agree with the recommendation that DT Global should maintain sufficient and appropriate documentation evidencing the results of any exclusion checks performed and perform additional investigation if deemed appropriate based upon exclusion check results.

Auditor Rebuttal:

- Although DT Global stated their policies and procedures are sufficient to minimize the risk to the U.S. Government funding individuals or organizations that support or may be involved in terrorism, during the audit it was found that DT Global did not do further investigation for individuals with positive matches on exclusion lists as required by their policy. Also, their policy did not specifically state it required exclusion checks nor did they perform any exclusion checks on the day laborers prior to payments.
- As such, our finding and recommendations remain unchanged.

Finding 2022-02: DT Global agreed with the finding and recommendations. DT Global agrees with the finding that the costs were not supported with sufficient documentation to determine cost allowability. As such, they have agreed to return the \$6,894 in questioned unsupported costs to USAID. In addition, they stated they will reinforce requirements to ensure staff follows proper policies and procedures when faced with challenging situations similar to those encountered during the Afghanistan exit.

Auditor Rebuttal:

- No further comment is deemed necessary as DT Global agreed with the finding and recommendations.

SIGAR's Mission

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- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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SIGAR's Mission

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