

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 24-08 Financial Audit**

## Department of State's Professional Program Evaluation and Review Development Program: Audit of Costs Incurred by Alutiiq Information Management LLC

**In accordance with legal requirements, SIGAR has redacted from this report certain information because it is proprietary, could impact public safety, privacy, or security, or is otherwise sensitive.**



JANUARY  
2024

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On April 26, 2019, the Department of State (State) awarded a \$1,148,529 task order to Alutiiq Information Management LLC (Alutiiq) to support the Professional Program Evaluation and Review Development Program in Afghanistan. The goal of the task order was to use third-party monitoring to provide project and program monitoring, evaluation, assessments, planning, and support of the task order funded by State. State modified the task order nine times; the modifications extended the performance period from April 25, 2020, through April 25, 2023, and increased the total funding to \$3,150,366.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed ██████████ in costs charged to the task order from April 26, 2019, through July 31, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Alutiiq's internal controls related to the task order; (2) identify and report on instances of material noncompliance with the terms of the task order and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Alutiiq has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Alutiiq'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.

January 2024

## Department of State's Professional Program Evaluation and Review Development Program: Audit of Costs Incurred by Alutiiq Information Management LLC

SIGAR 24-08-FA

### WHAT SIGAR FOUND

Crowe identified one material weakness and one deficiency in Alutiiq's internal controls, and two instances of noncompliance with the terms of the task order. For example, Crowe found that Alutiiq accepted its subcontractor's timesheets without reviewing them, and subsequently submitted them to State for reimbursement. Crowe tested 23 timesheets and determined that 19 of them were prepared and reviewed by the supervisor instead of being prepared by the employees. In addition, Crowe found that Alutiiq did not submit the required 16 program and activity management reports, nor did it retain the required comprehensive workplan and mobilization plan. SIGAR notified Alutiiq of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Crowe identified \$1,800 in total questioned costs, consisting entirely of unsupported costs—costs not supported with adequate documentation or that did not have required prior approval. Crowe did not identify any ineligible costs—costs prohibited by the task order and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Labor	\$0	\$1,800	\$1,800
<b>Total Costs</b>	<b>\$0</b>	<b>\$1,800</b>	<b>\$1,800</b>

Crowe identified one prior audit report that was relevant to Alutiiq's task order. The report contained six findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Crowe conducted follow-up procedures and concluded that Alutiiq took adequate corrective action on four of the six findings. Crowe noted that the issues associated with the two unaddressed prior findings were repeated under this audit.

Crowe issued an unmodified opinion on Alutiiq'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 State:

1. Determine the allowability of and recover, as appropriate, \$1,800 in questioned costs identified in the report.
2. Advise Alutiiq to address the report's two internal control findings.
3. Advise Alutiiq to address the report's two noncompliance findings.





**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

January 4, 2024

The Honorable Antony Blinken  
Secretary of State

We contracted with Crowe LLP (Crowe) to audit the costs incurred by Alutiiq Information Management LLC (Alutiiq) under a task order awarded by the Department of State (State) to support the Professional Program Evaluation and Review Development Program in Afghanistan.<sup>1</sup> The goal of the task order was to use third-party monitoring to provide project and program monitoring, evaluation, assessments, planning, and support of the task order funded by State. Crowe reviewed ██████████ in costs charged to the task order from April 26, 2019, through July 31, 2022. 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 contracting officer at State:

- 1. Determine the allowability of and recover, as appropriate, \$1,800 in questioned costs identified in the report.**
- 2. Advise Alutiiq to address the report's two internal control findings.**
- 3. Advise Alutiiq to address the report's two noncompliance findings.**

Crowe discusses the results of the audit in detail in the attached report. We reviewed Crowe's report and related documentation. We also inquired about Crowe'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 Alutiiq's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Crowe is responsible for the attached auditor's report, dated October 23, 2023, and the conclusions expressed therein. However, our review disclosed no instances in which Crowe 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](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil), within 60 days from the issue date of this report.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-256)

<sup>1</sup> The task order no. is 19AQMM19F2069 under contract no. 19AQMM18D0001.



**Alutiiq Information Management LLC**  
**Professional Program Evaluation and Review Development Program**  
**Task Order No. 19AQMM19F2069**  
**Special Purpose Financial Statement**  
**For the Period April 26, 2019, through July 31, 2022**  
**(With Independent Auditor's Report Thereon)**

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## TRANSMITTAL LETTER

October 23, 2023

To the Board of Directors and Management of Alutiiq Information Management LLC  
3909 Arctic Boulevard, Suite 500  
Anchorage, AK 99503

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

We appreciate the opportunity to provide to you our final report regarding the procedures that we have completed during the course of our audit of the special purpose financial statement ("SPFS") applicable to Alutiiq Information Management LLC ("Alutiiq") task order number 19AQMM19F2069 under contract number 19AQMM18D0001, funded by the U.S. Department of State's ("State") Bureau of South and Central Asian Affairs, to provide the Professional Program Evaluation and Review Development Program, for the period April 26, 2019 through July 31, 2022.

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 Alutiiq, State, 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 the final report.

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

Sincerely,

A handwritten signature in black ink that reads "John C. Weber".

John C. Weber, CPA  
Partner  
Crowe LLP

# Summary

## Background

On April 26, 2019, the U.S. Department of State's Bureau of South and Central Asian Affairs awarded time and materials task order 19AQMM19F2069, under contract number 19AQMM18D0001, to Alutiiq Information Management LLC ("Alutiiq") to support the Professional Program Evaluation and Review Development Program in Afghanistan. The base amount of the task order was \$1,148,529 for the period of April 26, 2019, through April 25, 2020. During the audit period there were 9 modifications to the task order, which exercised three option years, and increased the total funding to \$3,150,366 and extended the period of performance was through April 25, 2023.

The purpose of the task order is to provide project and program monitoring, evaluation, assessments, planning, and support through the use of third-party monitoring of grants funded by the bureau. Under the contract, Alutiiq is responsible for field examination and reporting on the status of funded programming, including information collected from in-person monitoring and interviews with program participants and beneficiaries.

Alutiiq Information Management is a wholly owned subsidiary of Alutiiq, LLC, which in turn is a wholly owned subsidiary of the Afognak Native Corporation, an Alaska Native Corporation ("ANC") formed under the 1971 Alaska Native Claims Settlement Act. Afognak Native Corporation and Alutiiq offer a variety of public and private sector business services. The company operates and providing services in more than 25 countries and territories worldwide.<sup>1</sup>

The 9 modifications occurring within the audit period are summarized below:

Modification	Purpose
01	<ul style="list-style-type: none"> <li>Added labor categories under Contract Line Item Number ("CLIN") 1001 and 1002</li> <li>Exercises Option Year (extending Period of Performance: 4/26/2020 to 4/25/2021)</li> <li>Realigns funds \$203,638 from CLIN 001 to \$150,000 to CLIN 1001 and \$53,638 to 1002</li> <li>Overall funding remained unchanged</li> <li>Overall cost decreased to \$1,148,527</li> </ul>
02	<ul style="list-style-type: none"> <li>Adds funds of \$200,000 to CLIN 1001 and \$25,000 to CLIN1002</li> <li>Overall funding increased by \$225,000 from \$900,000 to \$1,125,000</li> <li>Overall cost increased by \$225,000 to \$1,373,527</li> </ul>
03	<ul style="list-style-type: none"> <li>Added total cost and funds \$275,000 to CLINS 1001 and 1002</li> <li>Realigns funds of \$51,117 from CLIN 001 and \$18,883 from CLIN 002 to CLIN 1001</li> </ul>
04	<ul style="list-style-type: none"> <li>Update invoice instructions and invoice address to require the use of the Department of Treasury's online Invoice Processing Platform ("IPP")</li> <li>Establish the requirement to submit all future invoices via IPP</li> </ul>
05	<ul style="list-style-type: none"> <li>Add funds of \$195,000 to CLIN 1001 and \$5,000 to CLIN 1002</li> <li>Overall cost and funding totals increased by \$200,000</li> </ul>
06	<ul style="list-style-type: none"> <li>Realigns funds \$2,195 from CLIN 2 to CLIN 001</li> <li>Adds funds \$53,900 to CLIN 100 and \$46,100 to CLIN 1002</li> <li>Exercises Option Year 2 (extending Period of Performance: 4/26/2021 to</li> </ul>

<sup>1</sup> <https://www.alutiiq.com/about/>

(Continued)



Modification	Purpose
	4/26/2022) <ul style="list-style-type: none"> <li>• Adds funds \$114,000 to CLIN 2001 and \$86,000 to CLIN 2002</li> <li>• Extends period of performance to 4/25/22</li> <li>• Open Data Kit (“ODK”) Developer and tools Digitization Specialist as an approved subcontractor labor category</li> <li>• Funding increased by \$300,000</li> </ul>
07	<ul style="list-style-type: none"> <li>• Realigns \$90,271 from CLIN 2001 to CLIN 2002</li> <li>• Increases CLIN 2002 by \$417,768, increasing the obligation total by this amount. There is no increase to the ceiling</li> </ul>
08	<ul style="list-style-type: none"> <li>• Adds funding of \$59,561 to CLIN 1001 and \$93,476 to CLIN 1002, for a total funding increase of \$153,037</li> </ul>
09	<ul style="list-style-type: none"> <li>• Exercises Option Year 3 (extending Period of Performance: 4/26/2022 to 4/25/2023)</li> <li>• Adds total funds of \$400,000 to CLIN 2002 and \$163,764 to CLIN 3002</li> <li>• Realigns \$6,200 from CLIN 1001 to CLIN 2002</li> </ul>

Crowe’s audit scope encompasses the period of April 26, 2019, through July 31, 2022. During this span, Alutiiq estimates reported costs of [REDACTED]

### 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 Task Order No. 19AQMM19F2069 awarded to Alutiiq Information Management LLC (“Alutiiq”). Crowe’s audit encompasses the period April 26, 2019, through July 31, 2022. During this span, Alutiiq reported revenues and costs of [REDACTED] which represents the amount audited. Crowe’s audit of Alutiiq was limited in scope to the activities and expenditures associated with the task order.

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## Objectives Defined by SIGAR

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

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

Express an opinion on whether Alutiiq's Special Purpose Financial Statement for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting. Crowe will issue our Independent Auditor's Report on the Special Purpose Financial Statement. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

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

Evaluate and obtain a sufficient understanding of Alutiiq's internal control related to the award; assess control risk; and identify and report on significant deficiencies, including material internal control weaknesses. Crowe will issue our Independent Auditor's Report on Internal Control. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

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

Perform tests to determine whether Alutiiq complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred. Crowe will issue our Independent Auditor's Report on Compliance. In part, this report will state the following:

As part of obtaining reasonable assurance about whether Alutiiq's Financial Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the Statement. 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.

### **Audit Objective 4 – Corrective Action on Prior Findings and Recommendations**

Determine and report on whether Alutiiq has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the special purpose financial statement or other financial data significant to the audit objectives. Crowe will prepare a Summary Schedule of Prior Audit, Review and Assessment Findings as applicable.

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## Scope

The scope of the audit included the [REDACTED] during the period April 26, 2019 through July 31, 2022. The audit was limited to those matters and procedures pertinent to the task order that could have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Activities;
- Allowable Costs;
- Cash Management;
- Procurement; and
- Reporting.

## Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the Alutiiq'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.

To address Audit Objective 1, which pertains to Alutiiq's 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 award; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the award if the cost benefited multiple objectives; and were adequately supported.

In order to address Audit Objective 2, which relates to Alutiiq's internal controls, Crowe requested, and the Alutiiq provided, copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by Alutiiq's during the period of performance. 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 the internal controls and tested them where compliance issues could arise.

Audit Objective 3 required that tests be performed to obtain an understanding of the Alutiiq's compliance with requirements applicable to the award. Crowe identified – through review and evaluation of the task order executed by and between the State and Alutiiq– 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, cash requests, procurements, and reports for testing. Supporting documentation was provided by the Alutiiq and was subsequently evaluated to assess Alutiiq's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the applicable regulations and the contract with the Department of State.

Regarding Audit Objective 4, Crowe inquired of Alutiiq, SIGAR, and the Department of State 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. Crowe identified one audit report, which contained six findings that could have a material effect on the SPFS or other financial data significant to the

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audit objectives. Crowe performed testing in the current period to determine if the prior year findings were remediated. Accordingly, Crowe determined that 4 of the 6 prior audit findings were remediated. Crowe identified one instance related unsupported timesheets and one instance related to reporting where a prior year finding was repeated in the current year. For more information see **Section II: Summary Schedule of Prior Audit, Review and Assessment of Finding**.

## Summary of Results

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

Crowe issued an unmodified opinion on the SPFS.

Crowe also reported on both Alutiiq's internal controls over financial reporting and compliance with applicable laws, rules, regulations, and the terms and conditions of the contract. In total, one material weakness in internal control (2022-01) and one significant deficiency (2022-02) in internal control, were reported. In addition, Crowe reported two instances of noncompliance (2022-01 and 2022-02).

We identified \$1,800 in total questioned costs. SIGAR requires that questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines unsupported costs as those that are not supported with adequate documentation or did not have required prior approvals or authorizations. Ineligible costs are those that are explicitly questioned because they are unreasonable; prohibited by the audited task order or applicable laws and regulations; or are unrelated to the award. Therefore, we concluded that \$1,800 questioned costs are classified as unsupported.

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.

Crowe also requested from Alutiiq, SIGAR, State copies of prior audits, reviews, and evaluations pertinent to Alutiiq's activities under the task order. Crowe reviewed one prior audit report that contained six findings may be direct and material to the Special Purpose Financial Statement or other financial information significant financial data to the audit objectives. Crowe performed testing in the current period to determine if the prior audit findings were remediated. Crowe determined that two prior findings had not been remediated as they were repeated in the audit.

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

### Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2022-01	Inadequate Oversight of Subcontractor Timesheets	Material Weakness and Noncompliance	\$1,800
2022-02	Inadequate Reporting Record Retention	Significant Deficiency and Noncompliance	-
<b>Total Questioned Costs:</b>			<b>\$1,800</b>

(Continued)



## Summary of Management Comments

Alutiiq agreed with two of the two audit findings. The following contains a summary of management's responses:

1. **Finding 2022-01:** Alutiiq agrees with the finding and did not have any further support for this timesheet that was unsigned by the subcontractor employee and subcontractor manager.
2. **Finding 2022-02:** Alutiiq agrees that adequate records were not maintained for the contract submissions.

## Reference to Appendices

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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of Alutiiq Information Management LLC  
3909 Arctic Boulevard, Suite 500  
Anchorage, AK 99503

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

**Report on the Special Purpose Financial Statement*****Opinion***

We have audited the Special Purpose Financial Statement (the "Statement") of Alutiiq Information Management LLC ("Alutiiq") with respect to the task order 19AQMM19F2069, under contract number 19AQMM18D0001 for the Professional Program Evaluation and Review Development Program, funded by the U.S. Department of the State's ("State") Bureau of South and Central Asian Affairs, which comprises the revenues earned, costs incurred and balance for the period April 26, 2019 through July 31, 2022, and the related notes to the Statement.

In our opinion, the accompanying Statement presents fairly, in all material respects, the revenues earned, costs incurred, and balance of Alutiiq, for the period April 26, 2019 through July 31, 2022, in accordance with the financial reporting provisions of the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of task order 19AQMM19F2069, under contract number 19AQMM18D0001.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAGAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of Alutiiq, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

We draw attention to Note 2 of the Statement, which describes the basis of presentation and accounting. As described in Note 2 to the Statement, the Statement is prepared by Alutiiq on the accrual basis of accounting according to generally accepted accounting principles (“GAAP”) in the United States of America and the financial reporting provisions of SIGAR and the terms and conditions of task order 19AQMM19F2069, under contract number 19AQMM18D0001, to meet the requirements of SIGAR and the terms and conditions of the task order. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Special Purpose Financial Statement***

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial reporting provisions of SIGAR and the terms and conditions of task order 19AQMM19F2069, under contract number 19AQMM18D0001. 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 Responsibilities for the Audit of the Special Purpose Financial Statement***

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statement.
- Obtain an understanding of internal control relevant to the audit 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 Alutiiq’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Our report is intended solely for the information and use of Alutiiq, State, and SIGAR and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023 on our consideration of Alutiiq's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Alutiiq's 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 Alutiiq's internal control over financial reporting and compliance.

  
Crowe LLP

Washington, D.C.  
October 23, 2023

Alutiiq Information Management LLC  
Special Purpose Financial Statement  
Task order number 19AQMM19F2069  
For the Period April 26, 2019 through July 31, 2022

	Budget	Actual	Questioned Costs		
			Ineligible	Unsupported	Notes
<i>Revenues</i>					
Agreement Number 19AQMM19F2069 - Base Year (4/26/2019-4/25/2020)	\$	[REDACTED]			
Agreement Number 19AQMM19F2069 - Option Yr 1 (4/26/2020-4/25/2021)		[REDACTED]			
Agreement Number 19AQMM19F2069 - Option Yr 2 (4/26/2021-4/25/2022)		[REDACTED]			
Agreement Number 19AQMM19F2069 - Option Yr 3 (4/26/2022-4/25/2023)		[REDACTED]			
<b>Total Revenue [1]</b>	<b>3,150,366</b>	[REDACTED]			3
<i>Costs Incurred</i>					
Labor - Third Party Monitoring (Base Year)		[REDACTED]			
Other Direct Costs - Third Party Monitoring (Base Year)		[REDACTED]			
<b>Costs Incurred - Base Year [2]</b>		[REDACTED]			
Labor - Third Party Monitoring (Option Year 1)		[REDACTED]		\$ 1,800.00	A
Other Direct Costs - Third Party Monitoring (Option Year 1)		[REDACTED]			
<b>Costs Incurred - Option Yr 1</b>		[REDACTED]			
Labor - Third Party Monitoring (Option Year 2)		[REDACTED]			
Other Direct Costs - Third Party Monitoring (Option Year 2)		[REDACTED]			
<b>Costs Incurred - Option Yr 2</b>		[REDACTED]			
Labor - Third Party Monitoring (Option Year 3)		[REDACTED]			
Other Direct Costs - Third Party Monitoring (Option Year 3)		[REDACTED]			
<b>Costs Incurred - Option Yr 3</b>		[REDACTED]			
<b>Total Costs Incurred [3]</b>	<b>\$ 3,150,366</b>	[REDACTED]		-	4
<i>Balance</i>		\$ -		\$ 1,800.00	7

[1] Due to rounding, there is a \$1 difference between the total revenue reported on the SPFS and the revenue reported by contract year, in aggregate.

[2] Due to rounding, there is a \$1 difference in the total Costs Incurred - Base Year and the labor and other direct costs reported in that year.

[3] Due to rounding, there is a \$1 difference in the Total Costs Incurred and the costs reported by contract year, in aggregate.

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

**(1) The Company**

Alutiiq Information Management LLC (“Alutiiq”) is an Alaska limited liability company that provides the highest quality products and professional services for our federal customers and private sector partners. With a wide variety of diverse capabilities and past performance, AIM provides a wealth of domestic and international experience supporting mission-critical Federal requirements throughout the continental U.S. and outside the continental U.S.

Established in 2014, Alutiiq entered the U.S. Small Business Administration’s 8(a) Business Development Program in 2015 and graduated from the program in 2021. Alutiiq’s main customers are the Department of State, U.S. Navy and U.S. Air Force. With its head office located at 3909 Arctic Blvd, Anchorage, AK, Alutiiq also maintains additional field and project offices throughout the U.S.

**(2) Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying Special Purpose Finance Statement (“Statement”) includes costs incurred under Contract Number/Task Order Number 19AQMM18D0001/19AQMM19F2069 for Time-and-Materials (“T&M”) Contract Line Item Numbers (“CLINs”) for Department of State for the period of April 26, 2019 through July 31, 2022. Because the Statement presents only a selected portion of the operations of Alutiiq, it is not intended to and does not present the financial position, changes in assets, or cash flows of Alutiiq. The information in this Statement is presented in accordance with requirements and guidance specified by the Office of Special Inspector General of Afghanistan Reconstruction (SIGAR) and is specific to contract number 19AQMM18D0001, on Task Order 19AQMM19F2069, for the T&M CLINS. Therefore, some amounts presented in the Statement may differ from amounts presented in, or used in preparation of, the financial statements.

**Basis of Accounting**

Expenditures reported on the Statement are reported on an accrual basis and recognized following the cost principles in Title 48, Part 31 of the Code of Federal Regulations, wherein certain types of expenses are not allowable and are limited as to reimbursement.

**Currency**

The Statement is presented in U.S. Dollars. Any expenses paid in Afghani (local currency) were converted into U.S. Dollars (reporting currency) using the exchange rate obtained at the time the transaction was recorded in the accounting system.

**(3) Revenue**

As of July 31, 2022 (the end of the audited period), Alutiiq had reported ██████████ in revenue. This reflects amounts Alutiiq is entitled to receive from the Department of State for allowable, eligible costs incurred under the contract during the period of performance.



**(4) Cost Categories<sup>2</sup>**

The budget categories, represented by Contract Line-Item Numbers, reflect the budget line items presented within the final approved contract and task order, with an effective date of April 26, 2019, along with associated modifications to the task order through modification P0009 dated, May 23, 2022.

Labor represents labor costs incurred on a time and material CLIN. This line includes Alutiiq labor, as well as the labor costs of the subcontractor.

Labor	Budget	Actual
Base Year		
Option Year 1		
Option Year 2		
Option Year 3		
<b>Total</b>		

Other Direct Costs (“ODCs”) represent travel, defense base act insurance, taxes and other costs for material and equipment necessary for the performance of the contract.

ODCs	Budget	Actual
Base Year		
Option Year 1		
Option Year 2		
Option Year 3		
<b>Total</b>		

ODCs CLIN includes indirect costs which were billed at provisional rates, to be trued up at contract close out. These indirect costs include general and administrative costs associated with the general administration, general operations and management of the project.

	Settled	Settled	Settled		
Actual Rates					
	2019	2020	2021	2022	Total
Other Direct Costs					
<i>G&amp;A Rate - Settled or Actual</i>					
G&A Costs Per Settled/Actual					
Billed Provisional G&A Costs					
Amount due to (from) AIM					

<sup>2</sup> Due to rounding, there is a \$1 difference between the SPFS and the amounts reported in the Other Direct Costs Budget and the Total Other Direct Cost for 2021.

(Continued)

**(5) Subcontract**

Adroit Associates Consulting Services (“AACS”) (formerly Afghan Accenture Consulting Services) was a subcontractor of Alutiiq in performance of this effort. AACS provided all third-party monitoring services within Afghanistan. They were responsible for maintaining the schedule, monitoring site visits, and writing and submitting their findings in scheduled reports. They were responsible for ensuring their employees had everything required to conduct their work successfully.

**(6) Program Status**

Contract Number/Task Order Number 19AQMM18D0001/19AQMM19F2069 Modification P00013, dated April 26, 2023, extended performance period through October 25, 2023.

**(7) Balance**

There is no balance of costs incurred through July 31, 2022.

**(8) Related Party Transactions**

No related party transactions to report.

**(9) Subrecipients.**

No subrecipients to report.

**(10) COVID-19 Impact**

As a result of Coronavirus Disease 2019 (“COVID-19”), all in-person monitoring was halted. In order to complete contractual requirements during COVID-19, monitoring services were conducted virtually.

**(11) Security impact in Afghanistan**

As a result of the security situation in Afghanistan, performance of monitoring services halted. As a safety precaution, the monitors and approved family members were evacuated.

**(12) Subsequent Events**

Management has evaluated subsequent events through October 23, 2023 and has determined that there are no subsequent events to report.

Alutiiq Information Management LLC  
Notes to the Questioned Costs  
Task Order Number 19AQMM19F2069  
For the Period April 26, 2019, through July 31, 2022

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- A. Finding 2022-01 questioned \$1,800 as Alutiiq's subcontractor did not have proper review and approval of one timesheet associated with their invoices.

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management of Alutiiq Information Management LLC  
3909 Arctic Boulevard, Suite 500  
Anchorage, AK 99503

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of Alutiiq Information Management LLC ("Alutiiq"), with respect to the task order 19AQMM19F2069, under contract number 19AQMM18D0001, for the Professional Program Evaluation and Review Development Program, funded by the U.S. Department of the State's ("State") Bureau of South and Central Asian Affairs for the period April 26, 2019 through July 31, 2022, and the related notes to the Statement, and have issued our report thereon dated October 23, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the Statement, we considered Alutiiq's internal controls 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 Alutiiq's internal control. Accordingly, we do not express an opinion on the effectiveness of Alutiiq's internal control.

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

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 Statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2022-01 to be a material weakness.

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(Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2022-02 to be a significant deficiency.

### **Alutiiq's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on Alutiiq's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Alutiiq's response was not subjected to the other auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on the response.

### **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 Alutiiq, the Department of State, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

  
Crowe LLP

Washington, D.C.  
October 23, 2023



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors and Management of Alutiiq Information Management LLC  
3909 Arctic Boulevard, Suite 500  
Anchorage, AK 99503

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of Alutiiq Information Management LLC ("Alutiiq"), with respect to the task order 19AQMM19F2069, under contract number 19AQMM18D0001, for the Professional Program Evaluation and Review Development Program, funded by the U.S. Department of the State's ("State") Bureau of South and Central Asian Affairs for the period April 26, 2019 through July 31, 2022, and the related notes to the Statement, and have issued our report thereon dated October 23, 2023.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Alutiiq's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2022-01 and 2022-02.

**Alutiiq's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Alutiiq's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Alutiiq's response was not subjected to the other auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on the response.

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(Continued)

## **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 Alutiiq, the United States Department of State, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

  
Crowe LLP

Washington, D.C.  
October 23, 2023

**FINDING 2022-01: Inadequate Oversight of Subcontractor Timesheets**

Material Weakness in Internal Controls and Noncompliance

**Condition:** During our allowable cost testing procedures, Crowe noted that subcontractor timesheets that were improperly prepared and reviewed were nonetheless accepted by Alutiiq and subsequently submitted to State for reimbursement. Crowe identified the following issues in 23 of the 282 subcontractor timesheets reviewed:

- 19 timesheets were both prepared and reviewed by the supervisor instead of being prepared by the employees
- 2 timesheets were missing the supervisor's signature
- 1 timesheet was missing the employee's signature
- 1 timesheet was missing both the employee's and the supervisor's signature

The subcontractor timesheet that was missing both the employee and supervisor signature was identified in Invoice Number: AACS-AIMTO0903012021, budget line item #1.3, for labor expenses incurred by a Senior Research Monitoring and Evaluation ("M&E") Specialist. This employee worked 80 hours over 10 days and the amount charged in the invoice for the employee was \$1,800. The \$1,800 is questioned as the timesheet cannot be relied upon.

**Criteria:**

**1. Alutiiq's Accounting Policies and Procedures Manual – Section 700: Financial Reporting and Disclosure**

Transactions:

"All transactions recorded or posted into Costpoint should be properly authorized and accurately represent the activity being documented."

Accuracy

"...All transactions should be supported by documentary evidence, which becomes part of the accounting records."

"...The finance department utilizes standard forms and provides control and accountability over these forms. Those with the applicable authority should review posted accounting transactions with source documents and processing documents."

**2. Federal Acquisition Regulations ("FAR") Section 31.201-2(d), Determining allowability**

"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..."

**3. Contract Section 6.1 Record Keeping**

"The contractor shall maintain comprehensive and accurate documentation of all services provided, including but not limited to a detailed journal of staff and staff time applied by task and sub-task, goods and services, and all other resources employed to complete all tasks outlined in Section 3 of this SOW."

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(Continued)

**4. FAR 31.201-2(a), Determining allowability**

“A cost is allowable only when the cost complies with all of the following requirements:

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

**5. FAR 42.202(e)(2), Assignment of contract administration**

“The prime contractor is responsible for managing its subcontracts...”

**Questioned Costs:** \$1,800

**Effect:** There is an increased risk of fraud, waste, and abuse of U.S. Government funds. Specifically, the Department of State may have overpaid for services supporting Afghanistan reconstruction activities performed or paid for services that were not performed.

**Cause:** Alutiiq does not review or approve subcontractor timesheets as part of their subcontractor oversight procedures, as they view these timesheets as supplemental supporting documentation to the invoice.

**Recommendation:** We recommend that Alutiiq:

1. Update their subcontractor oversight procedures to include a step to verify that supporting documentation, such as timesheets, is prepared appropriately and contains the required approvals.
2. Develop and implement employee training over the subcontractor timesheet review and approval process.

**FINDING 2022-02: Inadequate Reporting Record Retention**

Significant Deficiency in Internal Control and Noncompliance

**Condition:** As part of our reporting testing Crowe selected 16 program and activity management reports that are required to be submitted to the Department of State. For all reports sampled, Alutiiq was unable to provide evidence that the reports were submitted to the Department of State, as required under Section 4 of task order #19AQMM19F2069. In addition, Alutiiq did not properly retain the Comprehensive Workplan and Mobilization Plan and accordingly they could not provide these reports to Crowe.

There are six (6) types of reports submitted under this task order, as noted below:

1. Program-Specific Reports summarize the verification and monitoring collected for each program.
2. Site-Visit Reports summarize the findings from on-site verification and monitoring activities, with supporting documentation such as photographs.
3. Monthly Management Reports highlight ongoing trends and key issues or achievements.
4. The Quality Assurance/Quality Control report outlines Alutiiq’s plan for quality control review of work performed by their subcontractor.
5. The Mobilization Plan is a workflow process used to ensure that objectives are achieved and properly documented.
6. The Comprehensive Work Plan is a comprehensive written quality management plan to clarify and define certain requirements in the project control document.

The chart below details each report selected by Crowe for testing.

#	Report Type	Due Date	
1	Program-Specific Report	Mar-20	
2	Program-Specific Report	Jul-20	
3	Program-Specific Report	Jun-20	
4	Program-Specific Report	Oct-20	
5	Program-Specific Report	Jun-20	
6	Program-Specific Report	Nov-20	
7	Program-Specific Report	Jul-20	
8	Program-Specific Report	Apr-20	
9	Program-Specific Report	Apr-20	
10	Site-Visit Report	Mar-20	
11	Monthly Management Report	Sep-20	
12	Monthly Management Report	Jan-21	
13	Monthly Management Report	Apr-21	
14	Monthly Management Report	Jul-21	
15	Comprehensive Work Plan	N/A	
16	Mobilization Plan	N/A	

**Criteria:**

1. **Alutiiq’s Finance Manual – Section 704 Transactions, Subsection Control of Records**  
 “For the effective operation of the finance department, including evidence of conformity to requirements, records shall remain legible, readily identifiable and retrievable and that files and records management procedures should define the controls needed for the identification, storage, protection, retrieval, retention time and disposition of records.

(Continued)



Alutiiq Information Management LLC  
 Section I: Schedule of Findings and Questioned Costs  
 Task Order Number 19AQMM19F2069  
 For the Period April 26, 2019, through July 31, 2022

**2. Contract No. 19AQMM19F2069 – Section 4. Reviews and Reports – Summary List of Deliverables**

Item	Description	Due Date
1	Program Specific Report	[REDACTED]
2	Revised Program Specific Report	[REDACTED]
3	Site Visit Report	[REDACTED]
4	Revised Site Visit Report	[REDACTED]
5	Monthly Management Report	[REDACTED]
6	Comprehensive Work Plan	[REDACTED]
7	Revised Comprehensive Work Plan	[REDACTED]

- 3. Contract No. 19AQMM19F2069 – Section 7. Quality Management Plan** states “The contractor shall establish and utilize a comprehensive written quality management plan, including QA/QC processes, to ensure the required services are provided at a consistently high level throughout the term of the contract. The plan shall be submitted to the COR for review and approval prior to the task order start date. The plan is designed to clarify and define certain requirements described in the PCD. The plan shall become effective on the contract start date and shall be updated and resubmitted for COR approval as changes occur.”
- 4. FAR Subpart 4.705 – Contractor Record Retention, Specific Retention Periods** states “The contractor shall retain the records identified in 4.705-1 through 4.705-3 for the periods designated, provided retention is required under 4.702. Records are identified in this subpart in terms of their purpose or use and not by specific name or form number. Although the descriptive identifications may not conform to normal contractor usage or filing practices, these identifications apply to all contractor records that come within the description.” Section 4.705-2(a) states “Payroll sheets, registers, or their equivalent, of salaries and wages paid to individual employees for each payroll period; change slips; and tax withholding statements: Retain 4 years.”

**Questioned Costs:** None. The late submission of program reports does not have a financial impact.

**Effect:** The Department of State is unable to monitor and evaluate the programs implemented by the Office of Press and Public Diplomacy in the US Department of State’s Bureau of South and Central Affairs, PAS-Kabul Office. As a result, State’s ability to make informed decisions on potential programmatic and compliance concerns is hindered.

**Cause:** Alutiiq’s established procedures related to record retention were not followed and as a result Alutiiq could not provide evidence that the reports were submitted to State and could not provide a copy of the Comprehensive Workplan and Mobilization Plan.

**Recommendation:** We recommend that Alutiiq:

1. Add FAR Subpart 4.7, Contractor Record Retention requirements to their Finance Policy Manual Section 704 Transactions, Subsection Control of Records.
2. Expand their current procedures to have the Contracting Officer’s Representatives (“COR”), to document and acknowledge required report deliverables after a contract is executed.

Alutiiq Information Management LLC  
Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings  
Task Order Number 19AQMM19F2069  
For the Period April 26, 2019, through July 31, 2022

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Crowe also requested from Alutiiq, SIGAR, State copies of prior audits, reviews, and evaluations pertinent to Alutiiq's activities under the task order. Crowe reviewed one prior audit report that contained six 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 Statements ("SPFS") or other financial matters significant to the audit objectives. The report contained six findings and recommendations that Crowe determined to be significant to the objectives, and therefore, requiring follow-up procedures or corrective actions. Crowe concluded that Alutiiq had taken corrective action on four findings and the other two remain open which were repeated under this audit.

Per our review, Crowe identified six findings that required follow up on corrective actions.

**1. Finding 2019-01: Unsupported Labor Costs**

**Report:** SIGAR Audit 20-39 FA Audit of Costs Incurred under Department of State Contract Task Order SAQMMA14F0927 and SAWMMA16F5001 for the period 3/1/2014 through 8/31/2017.

**Issue:** Alutiiq did not obtain or retain documentation to support \$5,532,853 in subcontractor labor costs incurred under two contract task orders.

**Status:** The Department of State determined that labor costs were properly supported, as \$0 will be recouped per their Settlement Agreement. Crowe determined that the finding was repeated in the current year as unsupported subcontractor timesheets were identified in our testing procedures. See finding 2022-01.

**2. Finding 2019-02: Unsupported Other Direct Costs**

**Report:** SIGAR Audit 20-39 FA Audit of Costs Incurred under Department of State Contract Task Order SAQMMA14F0927 and SAWMMA16F5001 for the period 3/1/2014 through 8/31/2017.

**Issue:** Alutiiq could not provide documentation supporting \$687,533 in subcontractor other direct costs charged to two contract task orders. Seven (7) out of 70 ODC samples, and 19 out of 23 ODC samples related specifically to subcontractor travel, were unsupported.

**Status:** Per Crowe's testing of 25 Subcontractor ODC samples (including travel, DBA, etc.) there were no instances of unsupported other direct costs. Alutiiq did not implement changes to any policies and procedures as they maintained the auditors finding was largely invalid, resulting from a one-off error. Therefore, we determined that the finding was remediated.

**3. Finding 2019-03: Ineligible Other Direct Costs – Travel**

**Report:** SIGAR Audit 20-39 FA Audit of Costs Incurred under Department of State Contract Task Order SAQMMA14F0927 and SAWMMA16F5001 for the period 3/1/2014 through 8/31/2017.

**Issue:** Alutiiq billed ineligible travel costs within justification or prior approval. Travel costs of \$641,522 were tested in 23 samples. Eleven of the 23 samples were missing justification or prior approval. The breakdown is as follows:

- a) 3 instances where first and business class airfare were billed
- b) 5 instances where ineligible meals and incidentals were billed
- c) 3 instances where travel costs unrelated to the contract task orders was billed

**Status:** Per Crowe's testing of 16 Subcontractor Travel samples within Allowable Costs, there were no instances of ineligible other direct travel costs.

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(Continued)

Alutiiq did not implement changes to any policies and procedures as they maintained the auditors finding was largely invalid. Also of note, the settlement agreement with State reduced the amount to be repaid to \$5,505. Therefore, we determined that the finding was remediated.

**4. Finding 2019-04: Ineligible Other Direct Costs – Allowances**

**Report:** SIGAR Audit 20-39 FA Audit of Costs Incurred under Department of State Contract Task Order SAQMMA14F0927 and SAWMMA16F5001 for the period 3/1/2014 through 8/31/2017.

**Issue:** Alutiiq charged ineligible Danger Pay and Post Hardship Differential allowances. The Danger Pay and Post Hardship Differential allowances were based on overtime hours worked or no hours worked which is a violation of the Department of State's Standardized Regulations governing allowances. This resulted in the following exceptions and questioned costs:

- 59 instances where overtime hours were improperly used to calculate allowance
- 41 instances where allowances were paid without basic compensation hours worked

**Status:** Per Crowe's testing of Allowable Costs and review of the General Ledger detail, there were no instances of ineligible allowances identified. Alutiiq did not implement changes to any policies and procedures as they maintained the auditors finding was largely invalid. Also of note, the settlement agreement with the State reduced the amount to be repaid to \$8,838. Therefore, we determined that the finding was remediated.

**5. Finding 2019-05: Ineligible General and Administrative Cost Calculation**

**Report:** SIGAR Audit 20-39 FA Audit of Costs Incurred under Department of State Contract Task Order SAQMMA14F0927 and SAWMMA16F5001 for the period 3/1/2014 through 8/31/2017.

**Issue:** Alutiiq treated the subcontractor's general and administrative (G&A) costs as direct cost and applied an additional G&A rate to its calculation of travel costs.

**Status:** Per Crowe's invoice testing in Cash Management, there were no instances of ineligible general and administrative costs. Lastly, Alutiiq reached a Settlement Agreement with the Department of State regarding the findings in this SIGAR audit. State determined that the G&A costs were properly supported, as \$0 will be recouped per the Settlement Agreement. Therefore, we determined that the finding was remediated.

**6. Finding 2019-06: Failure to Document Submission of Report Deliverables**

**Report:** SIGAR Audit 20-39 FA Audit of Costs Incurred under Department of State Contract Task Order SAQMMA14F0927 and SAWMMA16F5001 for the period 3/1/2014 through 8/31/2017.

**Issue:** Alutiiq did not document its submission of any progress and monthly activity reports to the Department of State for the period March 1, 2014, through August 31, 2017.

**Status:** Per Crowe's testing of Reporting, we noted that Alutiiq did not have evidence of report submission to State and/or the required reports were not developed. Crowe determined that this is a repeat finding, see finding 2022-02 in the schedule of findings and questioned costs.

## Appendix A: Views of Responsible Officials

Alutiiq Information Management provided the following response to Crowe via email on October 23, 2023, regarding the findings contained in the draft report. The response has been included herein verbatim and source formatting retained.

### **FINDING 2022-01: Material Weakness over Inadequate Oversight of Subcontractor Timesheets**

During our allowable cost testing procedures, Crowe noted that subcontractor timesheets that were improperly prepared and reviewed were nonetheless accepted by Alutiiq and subsequently submitted to the Department of State for reimbursement. This was noted for 23 of the 282 timesheets reviewed, as noted below:

- 19 timesheets were both prepared and reviewed by the supervisor
- 2 timesheets were missing the supervisor's signature
- 1 timesheets were missing both the employee's and the supervisor's signature
- 1 timesheet was missing the employee's signature.

Crowe noted one timesheet that was neither prepared nor reviewed by the subcontractor was still approved and sent to the State for reimbursement. Specifically, the space for the employee's signature and the supervisor's signature was left blank. The subcontractor timesheet was identified in Invoice Number: AACs-AIMTO0903012021, budget line item #1.3, for labor expenses incurred by a Senior Research and M&E (Monitoring and Evaluation) Specialist. This employee worked 80 hours over 10 days and the amount charged in the invoice for the employee was \$1,800. Therefore, Crowe questioned the \$1,800 in cost related to this timesheet noted in Sample #42 as the timesheet cannot be relied upon.

### **Management Response:**

Alutiiq agrees with Crowe's finding for the timesheet that did not have an employee or supervisor signature. Alutiiq has retrained the program team to review all subcontractor records and backup support for proper documentation. Alutiiq agrees to repay the questioned cost of \$1800.

**FINDING 2022-02: Failure to Document Submission of Report Deliverables**

Crowe selected 16 reports as part of our reporting testing. For all reports sampled, Alutiiq was unable to provide evidence that the reports were submitted to the Department of State, as required under Section 4 of task order #19AQMM19F2069. In addition, Alutiiq did not properly retain the Comprehensive Workplan and Mobilization Plan and accordingly they could not provide these reports to Crowe.

**Management Response:**

Alutiiq agrees that report deliverables were unable to be provided during the Crowe audit. Alutiiq had turnover in Program Management resulting in these emailed submissions being unavailable in the Program Manager's email or on our network/SharePoint locations.



## Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management responses of Alutiiq Information Management LLC ("Alutiiq" or "the Alutiiq") responses to the draft report audit findings provided to Crowe on October 23, 2023. 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. As management did not disagree with the facts in the finding, Crowe did not write a rebuttal.

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## SIGAR's Mission

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

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

## Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site ([www.sigar.mil](http://www.sigar.mil)). SIGAR posts all publicly released reports, testimonies, and correspondence on its Web site.

## To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
- Email: [sigar.pentagon.inv.mbx.hotline@mail.mil](mailto:sigar.pentagon.inv.mbx.hotline@mail.mil)
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## SIGAR's Mission

### Public Affairs Officer

- Phone: 703-545-5974
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