

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 24-29 Financial Audit

USAID's Afghanistan Conflict Mitigation Assistance for Civilians Program: Audit of Costs Incurred by Blumont Global Development Inc.

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.



JUNE
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On March 12, 2018, the U.S. Agency for International Development (USAID) awarded a 5-year, \$39,999,873 cooperative agreement to Blumont Global Development Inc. (Blumont) in support of the Conflict Mitigation Assistance for Civilians program. The program was intended to provide comprehensive assistance to Afghan families who suffered from military operations, including capacity building, advocacy and outreach, and other related activities. USAID modified the agreement eight times. The modifications increased the total funding to \$49,999,873 and extended the performance period to June 30, 2023.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$28,400,707 in costs charged to the agreement from November 1, 2020, through June 30, 2023. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Blumont's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Blumont has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Blumont'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.

June 2024

USAID's Afghanistan Conflict Mitigation Assistance for Civilians Program: Audit of Costs Incurred by Blumont Global Development Inc.

SIGAR 24-29-FA

WHAT SIGAR FOUND

Conrad identified one significant deficiency in Blumont's internal controls and one instance of noncompliance with the terms of the agreement. Specifically, Conrad found that Blumont billed salary and allowance payments based on the exchange rate on the day of payment instead of the U.S. dollar rate in the contract. This resulted in an overcharge to USAID. Blumont was notified of the deficiency and compliance issue prior to publication of this report.

Because of the deficiency in internal controls and the instance of noncompliance, Conrad identified a total of \$15,987 in questioned costs, consisting entirely of ineligible costs—costs prohibited by the agreement and applicable laws and regulations. Conrad did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Personnel	\$ [REDACTED]	\$0	\$ [REDACTED]
Fringe Benefits	\$ [REDACTED]	\$0	\$ [REDACTED]
Indirect Costs	\$ [REDACTED]	\$0	\$ [REDACTED]
Total Costs	\$15,987	\$0	\$15,987

Conrad identified one prior audit report that was relevant to Blumont's agreement. The report had six findings and accompanying recommendations that could have a material effect on the SPFS. Conrad conducted follow-up procedures and concluded that Blumont had taken adequate corrective action on all six findings.

Conrad issued an unmodified opinion on Blumont'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 agreement officer at USAID:

1. Determine the allowability of and recover, as appropriate, \$15,987 in questioned costs identified in the report.
2. Advise Blumont to address the report's one internal control finding.
3. Advise Blumont to address the report's one noncompliance finding.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

June 26, 2024

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

Mr. Joel Sandefur
Mission Director, U.S. Agency for International Development

We contracted with Conrad LLP (Conrad) to audit the costs incurred by Blumont Global Development Inc. (Blumont) under a cooperative agreement from the U.S. Agency for International Development (USAID) to support the Conflict Mitigation Assistance for Civilians program.¹ The program was intended to provide comprehensive assistance to Afghan families who suffered from military operations, including capacity building, advocacy and outreach, and other related activities. Conrad reviewed \$28,400,707 in costs charged to the agreement from November 1, 2020, through June 30, 2023. 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 agreement officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$15,987 in questioned costs identified in the report.**
- 2. Advise Blumont to address the report's one internal control finding.**
- 3. Advise Blumont to address the report's one noncompliance finding.**

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 Conrad'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 February 13, 2024, 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 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-278)

¹ The cooperative agreement number is 72030618CA00005.

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
Cooperative Agreement No. 72030618CA00005
Awarded by the United States Agency for International Development
in support of Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

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March 8, 2024

Board of Directors
Blumont Global Development, Inc.
Arlington, VA 22209

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

Conrad LLP (Conrad or we) hereby provides to you our final report, which reflects results from the procedures we completed during our audit of Blumont Global Development, Inc.'s Special Purpose Financial Statement under Cooperative Agreement No. 72030618CA00005 awarded by the United States Agency for International Development's Mission to Afghanistan for the period November 1, 2020 through June 30, 2023 in support of Conflict Mitigation Assistance for Civilians.

On December 29, 2023, we provided Special Inspector General for Afghanistan Reconstruction (SIGAR) with a draft report reflecting our audit procedures and results. Blumont Global Development, Inc. received a copy of the report on January 24, 2024 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 Blumont Global Development, Inc. Additionally, Blumont Global Development, Inc. responses and Conrad's corresponding rebuttals are incorporated into this report following our audit reports.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA
Partner

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period of November 1, 2020 through June 30, 2023

Background

On March 12, 2018, the United States Agency for International Development (USAID) Mission to Afghanistan awarded Cooperative Agreement No. 72030618CA00005 (Cooperative Agreement/Award) to Blumont Global Development, Inc. (Blumont) in support of the Conflict Mitigation Assistance for Civilians (COMAC) program (the Program).

The purpose of the Program was to provide comprehensive victims' assistance (VA) to Afghan families who suffered because of military operations, by delivering direct and indirect assistance, building the capacity of the government of Afghanistan to assist these families, and conducting advocacy and outreach. In order to accomplish these goals, Blumont outlined three key implementation requirements:

- Coordination and collaboration with the Government of the Islamic Republic of Afghanistan (GIROA) (which was changed to the Islamic Emirate of Afghanistan after August of 2021) by providing appropriate assistance to victims suffering losses from incidents stemming from ongoing military operations, land mines, improvised explosive devices, suicide and other terrorist actions, and cross-border shelling and fighting by effectively using all available resources, such as mapping victim assistance service providers, beneficiary data collection and management, delivery of immediate assistance to victims in a timely and responsive manner, providing tailored assistance programs linked to long-term development and recovery, and strengthening referral protocols for victims through a range of service providers.
- Improving GIROA's capacity to respond to victim's needs by focusing on building the capacity of Ministry of Labor, Social, Affairs, Martyrs, and Disabled (MoLSAMD), particularly the Martyrs and Disabled Division (MDD), as the main government entity for VA services through assessing MoLSAMD, Ministry of Public Health (MoPH), and their provincial directorates and local offices, and providing customized capacity-building support to MoLSAMD and MoPH on a range of topics, such as VA policy-making and planning; management and technical capacity; monitoring, evaluation, and reporting; and capacity gap assessment and action planning.
- Increasing awareness of victim's assistance services by guiding MDD in the collaborative development of a communication strategy and action plan, and by implementing advocacy and outreach activities through strategic selection and designation to ensure that different audiences have access.

The initial award amount was \$39,999,873, for the period of performance from March 12, 2018 through March 11, 2023. There have been eight modifications to the Cooperative Agreement which increased the total award amount to \$49,999,873 and extended the period of performance to June 30, 2023. See the *Summary of Cooperative Agreement* below.

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
Cooperative Agreement No. 72030618CA00005
Conflict Mitigation Assistance for Civilians

For the Period of November 1, 2020 through June 30, 2023

Summary of Cooperative Agreement

Cooperative Agreement 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
72030618CA00005*	\$39,999,873	03/12/18	03/11/23	8	\$49,999,873	06/30/23

* Indicates the award is close-out.

Blumont Global Development Inc. is a non-profit organization that provides relief, stabilization, and development programs. Blumont Global Development Inc. implements programs that promote good governance, counter violent extremism and works with marginalized groups and minorities in host communities [REDACTED]

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 Cooperative Agreement, as mentioned above, of Blumont’s Special Purpose Financial Statement (SPFS) for revenue received and costs incurred plus fixed fee under the Program totaling \$28,400,707 for the period November 1, 2020 through June 30, 2023.

Objectives, Scope, and Methodology

Audit Objectives

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

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

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period of November 1, 2020 through June 30, 2023

- *Internal Controls* – Evaluate and obtain sufficient understanding of Blumont’s internal controls related to the Cooperative Agreement, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether Blumont complied, in all material respects, with the Cooperative Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Cooperative Agreement 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 Blumont 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 close-out audit included all revenue and costs incurred during the period of November 1, 2020 through June 30, 2023 totaling \$28,400,707 under the Cooperative Agreement. Our testing of the indirect cost charged to the Cooperative Agreement was limited to determining that the indirect cost was 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) 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 July 6, 2023, with representatives of Blumont, Conrad, SIGAR, and USAID/Afghanistan 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 Blumont. The scope of our audit includes Blumont’s management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of Blumont 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:

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period of November 1, 2020 through June 30, 2023

- Cooperative Agreement and modifications;
 - Any regulations that were specific to the agreement's requirements, such as 2 CFR 200 Subpart E Cost Principles, 2 CFR 700 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, USAID Automated Directives System (ADS) Chapter 303, Grants and Cooperative Agreements to Non-Government Organizations;
 - Audited financial statements; and
 - Previous SIGAR and USAID financial audit reports; and
 - Close-out requirements and evidence supporting close-out procedures performed.
- 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 Cooperative Agreement, 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 Cooperative Agreement;
- 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 Cooperative Agreement

We reviewed Blumont's internal controls related to the Cooperative Agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of Blumont'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 procedures, and identifying key controls within significant transaction cycles and testing those key controls.

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period of November 1, 2020 through June 30, 2023

Compliance with the Cooperative Agreement Requirements and Applicable Laws and Regulations

We performed tests to determine whether Blumont complied, in all material respects, with the Cooperative Agreement requirements, 2 CFR 200, 2 CFR 700, ADS 303, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Cooperative Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from Blumont and SIGAR, and reviewed these reports to determine if there were any findings and recommendations that could have a potential impact on this audit. We also 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 Blumont'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. Our review procedures included holding discussions with management regarding corrective actions taken, reviewing evidence of revised policies and procedures or other applicable recommended actions, as well as conducting tests of items similar to those found in the prior findings. See the *Status of Prior Audit Findings* section on page 22.

Exit Conference

An exit conference was held on December 13, 2023, via conference call. Participants included representatives from Conrad, Blumont, SIGAR, and USAID/Afghanistan. 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 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 \$15,987 in total questioned costs, which included \$15,987 in ineligible costs and \$0 unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Agreement's provisions or applicable laws and regulations, or not related to the Cooperative Agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
Cooperative Agreement No. 72030618CA00005
Conflict Mitigation Assistance for Civilians

For the Period of November 1, 2020 through June 30, 2023

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on Blumont'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 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

Our audit identified one internal control finding. The internal control finding is considered to be a significant deficiency. See *Independent Auditor's Report on Internal Control* on page 16.

Compliance

The results of our testing identified one instance of noncompliance. See the *Independent Auditor's Report on Compliance* on page 18.

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*. Blumont did not disclose any allegations of alleged fraud that could have a potential impact on the Program and the SPFS. As such, there are no further communications warranting additional consideration.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2023-01	Non-compliance and Internal Control – Significant Deficiency	Salary and Allowance Payments in Excess of Contracted Rates	\$ 15,987	\$ -	\$ 15,987
Total Questioned Costs			\$ 15,987	\$ -	\$ 15,987

Review of Prior Findings and Recommendations

Based on our request and search of prior engagements pertinent to Blumont's activities under the Agreement, we identified one (1) prior engagement with six (6) 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

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
Cooperative Agreement No. 72030618CA00005
Conflict Mitigation Assistance for Civilians

For the Period of November 1, 2020 through June 30, 2023

similar areas surrounding these issues during our audit. Based on our review, Blumont had taken adequate corrective actions on all findings and recommendations. See *Status of Prior Audit Findings* on page 22 for a detailed description of the prior findings and recommendations.

Summary of Blumont's Responses to Findings

The following represents a summary of the responses provided by Blumont to the findings identified in this report (the complete responses received can be found in *Appendix A* to this report).

Finding 2023-01: Blumont disagreed with the finding stating that 1) Blumont has adequate systems in place and uses proper documents to prepare employee payroll and bill the government; 2) The question of overbilling or underbilling that arises in this finding is a timing discrepancy between the preparation of payroll and the actual disbursement of payments to employees; 3) CFR200.440 exchange rates indicate that any gain or loss arising from currency fluctuation is considered an allowable cost.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
Blumont Global Development, Inc.
Arlington, VA 22209

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 Blumont Global Development, Inc. (Blumont) and the related notes to the Special Purpose Financial Statement, with respect to the Cooperative Agreement No. 72030618CA00005 (Cooperative Agreement) awarded by the U.S. Agency for International Development (USAID) to support the Conflict Mitigation Assistance for Civilians (COMAC) program, for the period of November 1, 2020 through June 30, 2023.

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred, and balances for the indicated period of November 1, 2020 through June 30, 2023, in accordance with the terms of the Cooperative Agreement and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction.

Basis for Opinion

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. 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 Blumont, 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.

Basis of Presentation and Accounting

We draw attention to Note 2 and 3 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 2 to the Special Purpose Financial Statement, the statement is prepared by Blumont 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.

(Continued)

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Responsibilities of Management 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. 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 it 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 Special Purpose Financial 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Special Purpose Financial 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 financial statements.
- 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 Blumont'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 financial statements.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 13, 2024 on our consideration of Blumont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Cooperative Agreement, 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

(Continued)

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 Blumont's internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of Blumont Global Development, Inc., the United States Agency for International Development to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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 the United States Congress and 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.

Conrad LLP

Lake Forest, California
February 13, 2024

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
Cooperative Agreement No. 72030618CA00005
Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

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:						
Cooperative Agreement No. 72030618CA00005	\$49,999,873	\$28,400,707	\$ -	\$ -	\$ -	(4)
Total revenues	<u>49,999,873</u>	<u>28,400,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred and Fixed Fee:						
Personnel	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]	(A)
Fringe Benefits	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]	(A)
Travel, Transportation, Per Diem	[REDACTED]	[REDACTED]	-	-	-	
Allowances	[REDACTED]	[REDACTED]	-	-	-	
Equipment	[REDACTED]	[REDACTED]	-	-	-	
Sub-Awards	[REDACTED]	[REDACTED]	-	-	-	
Consultants	[REDACTED]	[REDACTED]	-	-	-	
Other Direct Costs	[REDACTED]	[REDACTED]	-	-	-	
Security	[REDACTED]	[REDACTED]	-	-	-	
Indirect Costs	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]	(B)
Total Costs Incurred	<u>\$49,999,873</u>	<u>\$28,400,707</u>	<u>\$ 15,987</u>	<u>\$ -</u>	<u>\$ 15,987</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>				

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

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Notes to Special Purpose Financial Statement¹

(1) The Project

The Conflict Mitigation Assistance for Civilians (COMAC) activity, implemented by Blumont Global Development, Inc., provides comprehensive victim assistance (VA) to Afghan families affected by conflict. COMAC is designed to operate in all 34 provinces of Afghanistan. In addition to delivering VA services, COMAC also builds the capacity of its staff and community volunteers to facilitate VA service provision, conducts outreach, and empowers Afghan civil society organizations to raise awareness among the Afghan public and its beneficiaries on the need for VA services and their availability. In response to the events following August 15, 2021, including political transition, substantive governance, and economic crisis, Blumont resumed COMAC activities (after a brief hibernation period) with a modified scope of work.

(2) Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred under Cooperative Agreement No. 72030618CA00005 for the period from November 1, 2020 through June 30, 2023. Because the SPFS presents only a selected portion of the operations of Blumont, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of Blumont. The information in this SPFS is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is specific to the aforementioned award. Therefore, some amounts presented in this SPFS may differ from amounts presented in, or used in, the preparation of the basic financial statements.

(3) Basis of Accounting

The principles accounting policies applied in preparation of this SPFS are set out below. These policies have been consistently applied, unless otherwise stated.

The schedule of costs incurred has been prepared following the cost principle applicable per the cooperative agreement, 2 CFR 200 and 2 CFR 700, the uniform guidance, for non-profit organizations. The cost principle for non-profit organizations refers to the accounting principle that guides the recognition and reporting of costs incurred. The cost principle of non-profit organizations is generally governed by the Generally Accepted Accounting Principles (GAAP).

(a) Expenditure

Blumont uses the accrual basis of accounting to record revenue and expenses. Expenditures are recognized as and when they are incurred. The preparation of the Special Purpose Financial Statement involves certain estimates and assumptions made by management related to expenses and liabilities during these periods. The accrued expenses incurred are

¹ The Notes to the Special Purpose Financial Statement are the responsibility of Blumont.

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Notes to Special Purpose Financial Statement¹

excluded from the Federal Share of Expenditure on the SF-425 report because they are estimated. However, they are reported under the federal share of unliquidated obligations.

The period of performance for this schedule of cost incurred is from November 2020 through June 30, 2023, so it does not fall at the beginning of the quarter to reconcile it with the SF-425 report.

Expenditures are manually categorized to align with budget lines for accurate tracking and reporting purposes.

(b) Revenue Recognition

Blumont uses the accrual basis of accounting to record revenue and expenses. Under this accounting basis, revenues are recorded when earned.

All funds received from donors are specifically designated for the project, and Blumont is utilizing those funds to cover all project related costs, both direct and indirect. The revenue matches the total cost incurred (direct and indirect) for the project.

(c) Functional and Presentation Currency

The Special Purpose Financial Statement is presented in United States Dollar (USD) currency. The COMAC project functional currencies are USD and Afghani (AFN).

(d) Foreign Currency Transaction

Transactions, which are expressed or denominated in AFN currency, are translated to USD using the market exchange rates prevailing at the date of each transaction. The gain or loss arising from such a transaction is reflected in the Income Statement.

(4) Revenue

Revenues presented in the SPFS represent the amounts earned through the COMAC program for allowable, eligible costs incurred under the Cooperative Agreement during the period presented.

(5) Costs incurred by Budget Category

The budget categories and associated amounts presented reflect the budget line items presented within the final, approved contract budget adopted as a component of Cooperative Agreement No. 72030618CA00005.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of Blumont.

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
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For the Period November 1, 2020 through June 30, 2023

Notes to Special Purpose Financial Statement¹

(6) Outstanding Fund Balance

The outstanding fund balance presented on the SPFS 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 award. An amount less than \$0 would indicate that costs have been incurred but are pending additional evaluation before a final determination of amount of revenue earned may be made.

(7) Program Status

The period of performance for the Cooperative Agreement is March 12, 2018 through June 30, 2023. The program was completed and is currently inactive.

(8) Indirect Cost

Blumont has an approved NICRA which establishes the following indirect cost rates:

Type	Effective Period		Indirect Cost Rates					
	From	Through	Fringe USN	Fringe Expat	Fringe TCN	Overhead	Subc/Matl Handling	G&A
Final	01/01/2020	12/31/2020	██████	██████	██████	██████	██████	██████
Final	01/01/2021	12/31/2021	██████	██████	██████	██████	██████	██████
Provisional	01/01/2022	12/31/2022	N/A	██████	██████	██████	██████	██████
Provisional	01/01/2023	Until amended	N/A	██████	██████	██████	██████	██████

(9) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to November 1, 2020 through June 30, 2023, period covered by the SPFS. Management has performed their analysis through February 13, 2024.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of Blumont.

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Personnel and Fringe Benefits

Blumont reported a total combined cost of \$ [REDACTED], consisting of \$ [REDACTED] for personnel, and \$ [REDACTED] for fringe benefits for the period of November 1, 2020 through June 30, 2023. During our audit of these costs, we noted thirty (30) instances where Blumont charged salary and allowance amounts in excess of the supported rate per the employment agreement for the local national employees. We expanded the questioned costs to all national employees resulting in total ineligible costs of \$ [REDACTED], consisting of \$ [REDACTED] ineligible personnel costs and \$ [REDACTED] ineligible fringe benefit costs. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.

(B) Indirect Costs

Blumont reported a total of \$ [REDACTED] for indirect costs for the period of November 1, 2020 through June 30, 2023. The indirect costs associated with questioned costs identified in **Note A** above resulted in total ineligible indirect costs of \$ [REDACTED]

² 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.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
Blumont Global Development, Inc.
Arlington, VA 22209

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 Blumont Global Development, Inc. (Blumont) under Cooperative Agreement No. 72030618CA00005 (Cooperative Agreement) in support of Conflict Mitigation Assistance for Civilians (COMAC) for the period of November 1, 2020 through June 30, 2023. We have issued our report thereon dated February 13, 2024 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 November 1, 2020 through June 30, 2023, we considered Blumont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of Blumont's internal control. Accordingly, we do not express an opinion on the effectiveness of Blumont's internal control.

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.

(Continued)

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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 one deficiency in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Finding 2023-01 is considered to be a significant deficiency.

Blumont's Response to Findings

Blumont's response to the finding identified in our audit is included verbatim at the *Appendix A*. Blumont'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 Blumont'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 Blumont, the United States Agency for International Development Mission to 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
February 13, 2024

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
Blumont Global Development, Inc.
Arlington, VA 22209

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 Blumont Global Development, Inc. (Blumont) under Cooperative Agreement No. 72030618CA00005 (Cooperative Agreement) in support of Conflict Mitigation Assistance for Civilians (COMAC) for the period of November 1, 2020 through June 30, 2023. We have issued our report thereon dated February 13, 2024 with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blumont'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 Agreement, 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 one instance 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 Finding 2023-01.

Blumont's Response to Findings

Blumont's response to the findings identified in our audit is included verbatim at the *Appendix A*. Blumont'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.

(Continued)

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Restriction on Use

This report is intended for the information of Blumont, the United States Agency for International Development Mission to 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.

Conrad LLP

Lake Forest, California
February 13, 2024

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
Cooperative Agreement No. 72030618CA00005
Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Schedule of Findings and Questioned Costs

Finding 2023-01: Salary and Allowance Payments in Excess of Contracted Rates

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

Condition: Conrad tested five (5) pay periods which covered the payroll of 37 out of 364 employees, representing \$442,391 out of a total \$ [REDACTED] in the Personnel costs category and \$ [REDACTED] out of a total of \$ [REDACTED] in the Fringe Benefits cost category. Of the 37 employees, 30 are Cooperating Country National (CCN) employees.

During our testing to determine if costs incurred under the Cooperative Agreement were reasonable, adequately supported, and properly approved, we noted that Blumont did not record and claim the United States Dollars (USD) salary and allowance rates stated in the CCN employment contract to the government. Instead, Blumont paid its employees in Afghani (AFN) using an exchange rate on the day of payment, and converted the salaries and allowances paid in AFN back to USD using the exchange rate available the day the financial report and/or the accounting entries were prepared. Due to exchange rates fluctuations, this practice resulted in salaries and allowances sometimes exceeding the USD denominated contract amount for employment. Blumont should have used the same exchange rate when it paid its employee to avoid exchange rate gain or loss, as stipulated in its policy. Not following this policy resulted in USAID sometimes being overbilled or underbilled.

Conrad expanded the testing to the entire population of 245 CCN employees claimed under the Program to analyze the financial impact on the government. Our analysis identified a net overpayment of \$ [REDACTED] in salaries and \$ [REDACTED] in allowances, totaling \$ [REDACTED] in questioned ineligible costs.

Criteria:

[REDACTED]

[REDACTED]

[REDACTED]

2 CFR 200.403, Factors affecting allowability of costs, states in part:

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
Cooperative Agreement No. 72030618CA00005
Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Schedule of Findings and Questioned Costs (Continued)

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items...

(g) Be adequately documented;

(h) Cost must be incurred during the approved budget period...”

2 CFR 200.303, Internal Controls, states in part:

“The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award...”

Cause: Blumont’s practice was to pay employees in AFN and convert the payments back to USD for billing purposes without considering that salary and allowance are limited to the USD salary and allowance rates stated in the CCN employment contract and that the rates cannot be exceeded. Blumont did not understand that CCN employees’ salaries and allowance should not be converted even when payments were made in Afghanis, when the employment contract is limited by rates in USD.

Effect: The government was overbilled for CCN salaries and allowance.

Questioned Costs: We identified \$ [REDACTED] in ineligible costs and \$ [REDACTED] in associated indirect costs, which resulted in \$15,987 in total questioned costs.

Recommendation:

- (1) We recommend that Blumont either demonstrate that the amounts charged for the employees and periods audited are correct or appropriate or refund the questioned costs of \$15,987.
- (2) We recommend that Blumont develop a policy to ensure that when the CCN salary and allowance rate in the employee’s agreement is in USD, Blumont charges to the program are within the USD limits of the agreement.

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from Blumont, SIGAR, and USAID pertaining to Agreement activities under this audit. We identified one (1) prior audit report which contained six (6) 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, including discussion with Blumont's management, and performed testing of similar activities during our audit. We have summarized the results of our procedures below:

1. SIGAR Financial Audit 21-35: Costs Incurred Under Cooperative Agreement No. 72030618CA00005 Awarded by USAID for COMAC Program for the Period of January 1, 2019 through December 31, 2019

Finding 2019-01: Misstatements Identified in the Special Purpose Financial Statements and Note Disclosures

Issue: Blumont prepared their SPFS on the accrual basis of accounting. During testing, the auditor found transactions that were recorded in the incorrect accounting period. The auditor determined the identified amounts were a misstatement, not resulting in any questioned costs.

Status: For the current engagement, Conrad did not identify any transactions recorded in the incorrect accounting period. As such, we concluded that Blumont has taken adequate corrective action on this finding.

Finding 2019-02: Incomplete Property Records

Issue: Blumont recorded equipment and inventory costs incorrectly, as they did not include the acquisition cost. The audit firm determined that without a complete correct listing of property records, financial data may be inaccurate. The exceptions identified were transferred from a previous project and were not purchased with award funds, therefore the auditor did not identify any questioned costs.

Status: For the current engagement, Conrad reviewed Equipment samples and this issue was not repeated. As such, Conrad concluded that Blumont has taken adequate corrective action on this finding.

Finding 2019-03: Eligibility Procedures Not Implemented as Designed

Issue: The audit firm noted discrepancies in the Incident Reporting Forms (IRF) used to determine eligibility for those that can use the provided funds by Blumont. Five instances were noted where the IRF was incomplete, and 14 instances occurred where the Deputy Chief of Party failed to approve the form. The auditor did not identify any questioned costs associated with this finding.

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
Cooperative Agreement No. 72030618CA00005
Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Status of Prior Audit Findings (Continued)

Status: For the current engagement, we reviewed the IRF during our sample-based testing of Other Direct Costs. Based on our review, this finding was not repeated. As such, we concluded that Blumont has taken adequate corrective action on this finding.

Finding 2019-04: Inadequate Micro-Purchase Procurement Procedures

Issue: In the audit firm's review of Blumont's written procurement procedures required by 2 CFR Part 200.318, they noted the procedures did not specify the method Blumont utilizes to ensure micro-purchases are equitably distributed and do not exceed Blumont's micro-purchase thresholds in the aggregate. There were no reportable questioned costs determined as a result of this finding.

Status: For the current engagement, we reviewed Blumont's procurement policies, and noted there were adequate micro-purchase procurement policies. As such, we concluded that Blumont has taken adequate corrective action on this finding.

Finding 2019-05: Incorrect Subrecipient-Contractor Determinations and Inaccurate Reporting of Subawards to the Government

Issue: The audit firm noted that Blumont's procedures for determining whether a vendor qualifies as sub recipient or contractor do not include adequate requirements for documenting that determination, and Blumont's personnel were not adequately trained to make these determinations. In addition, Blumont's procedures also do not require a detailed determination of each vendor based on the requirements in to 2 CFR 200.330 Subrecipient and Contractor Determinations. There were no questioned costs associated with this finding.

Status: For the current engagement, we reviewed Blumont's reporting, vendor, and procurement policies, and noted there were adequate policies in place. As such, we concluded that Blumont has taken adequate corrective action on this finding.

Finding 2019-06: Inadequate Monitoring Process over Subrecipient Expenditures for Compliance with Audit Requirements.

Issue: The audit firm noted Blumont's Sub-Awards Policy was not properly designed to include monitoring procedures over an awardee's expenditures during the post-award phase to ensure that awardees are meeting their federal requirements related to program-specific audits. There were no questioned costs associated with this finding.

Status: For the current engagement, we reviewed Blumont's Sub-Awards policy and noted there were adequate policies in place. As such, we concluded that Blumont has taken adequate corrective action on this finding.

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Blumont's Responses to Audit Findings



Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians For the Period November 1, 2020, through June 30, 2023 Blumont's Responses to Audit Findings

February 06, 2024

Conrad LLP
23161 Lake Center Drive, Suite 200
Lake Forest, CA 92630

On behalf of Blumont Global Development, Inc., I thank you for your collaboration in performing the Financial Audit of Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians (COMAC). Blumont is responding to a single finding of non-compliance and internal control.

Finding 2023-01: Salary and Allowance Payments in Excess of Contracted Rates

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

Condition: Conrad tested five (5) pay periods which covered the payroll of 37 out of 364 employees, representing \$ [REDACTED] out of a total \$ [REDACTED] in the Personnel costs category and \$ [REDACTED] out of a total of \$ [REDACTED] in the Fringe Benefits cost category. Of the 37 employees, 30 are Cooperating Country National (CCN) employees.

Blumont's Response: Blumont respectfully disagrees with the finding that its salary and allowances payment exceeded the contracted rate and that the question cost was deemed ineligible. We believe that this finding should not be included in the report. As we have already explained in our response to the preliminary issues, Blumont has adequate systems in place, including multiple levels of reviews and oversight, and uses proper documents to prepare employee payroll and bill the government. Blumont adhere to applicable policies and procedures and fully comply with the cooperative agreement. The payroll costs are reasonably and adequately supported.

Before August 15, 2021, COMAC employee's agreement were in Afghani currency. However, after the Taliban took over and formed the de facto government, the Afghani currency started to rapidly depreciate against other currencies due to hyperinflation in the country. In response, on December 14, 2021, USAID issued a guidance letter to all implementing partners (IPs) allowing them to pay employees in other currencies. Subsequently, the COMAC project converted all employee salaries and allowances from Afghani currency to US Dollars.

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www.blumont.org

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for Cooperative Agreement No. 72030618CA00005 Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Blumont's Responses to Audit Findings



The de facto government in Afghanistan prohibited the use of US dollars for payments, and due to the US sanctions on the government, the banking sector faced difficulties in conducting transactions with foreign banks. This complicated the process of remittances and daily banking operations. Therefore, COMAC was unable to transfer US dollar funds to the country to pay salaries. Instead, COMAC paid its employees in Afghani currency, based on the daily exchange rate set by Da Afghanistan Bank (Central Bank of Afghanistan) on the day of payment. The exact exchange rate from the day of payment was used for recording the transaction into the system and ultimately billing the USAID.

The question of overbilling or underbilling that arises in this finding is a timing discrepancy between the preparation of payroll and the actual disbursement of payments to employees. The volatile nature of the Afghani currency leads to fluctuations between the moment the payroll Excel worksheet is prepared and the subsequent day of payment execution. Financial reports and accounting entries are then based on the Da Afghanistan Bank rate available at the time of payment, as mentioned earlier. Therefore, this finding does not indicate overbilling or underbilling; instead, it reflects the realistic and valid reality of Afghanistan's financial landscape and the inherent differences caused by currency fluctuation. The COMAC project maintained the same payroll Excel worksheet without adjusting the exchange rate to reflect the day of payment rate. Instead, it retained the payroll intact including and audit trail of the two exchange rates at the time of preparation and payment.

The CFR200.440 exchange rates indicate that any gain or loss arising from currency fluctuation is considered an allowable cost. In the context of the COMAC project, USAID was neither overbilled nor underbilled for salaries and allowances. Instead, any gain or loss resulting from currency fluctuations was accounted for and adjusted within the payroll entry. Given that the cost increase/decrease due to fluctuating exchange rate is recognized as an allowable expense, and in order to prevent any confusion in the future, all associated cost will be recorded in exchange gain/loss account.

Blumont has expressed disagreement with this statement, labeling it as "non-compliance" and a "significant deficiency finding" in internal control. Blumont states that they have appropriate systems in place, which include multiple levels of review and oversight, to prepare accurate employee payroll and bill the government accordingly. Blumont has also provided supporting documents and all evidence to validate their claims.

In light of the above provided justification and the challenges encountered while operating in Afghanistan, Blumont respectfully requests SIGAR to expunge the singular instance of non-compliance and internal control from the report.

Sincerely,

Rob Murphy
Chief Financial Officer (CFO)
Blumont Global Development, Inc.

1777 North Kent Street, Suite 300 | Arlington, VA 22209 | +1.703.248.0161
www.blumont.org

(Continued)

Blumont Global Development, Inc.

Financial Audit of the Special Purpose Financial Statement for
Cooperative Agreement No. 72030618CA00005
Conflict Mitigation Assistance for Civilians

For the Period November 1, 2020 through June 30, 2023

Auditor's Rebuttal to Blumont's Responses to Audit Findings

Blumont disagreed with the finding and below is our rebuttal to Blumont's response.

Finding 2023-01

Blumont disagreed with the finding stating that 1) Blumont has adequate systems in place and uses proper documents to prepare employee payroll and bill the government; 2) The question of overbilling or underbilling that arises in this finding is a timing discrepancy between the preparation of payroll and the actual disbursement of payments to employees; 3) CFR200.440 exchange rates indicate that any gain or loss arising from currency fluctuation is considered an allowable cost.

Auditor's Rebuttal

The issue here is directly related to what Blumont is charging the US government. It is not about the timing of employee payments and their currency translation. Employment agreements are stated in US dollars as such, the amount charged to the US government should reflect the amount on the employment contract. For example, if the employee's salary is listed as \$1,000 per month, then \$1,000 should be claimed to the US Government for reimbursement and no conversion methodology should be applied. However, if the employee's salary rate is listed as 75,000 AFN, then the conversion methodology should be applied to convert to USD before claiming the costs to the US Government. The cited CFR criteria is not applicable in this case, as gain or loss arising from currency fluctuations is not the issue here. As such, the finding and recommendations remain unchanged.

(Continued)

SIGAR's Mission

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

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

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

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