

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 24-30 Financial Audit

State's Mine Clearance Projects in Afghanistan: Audit of Costs Incurred by Afghan Technical Consultants

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.



JULY
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On June 13, 2019, the U.S. Department of State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (State) awarded a 1-year, \$1,679,000 grant to Afghan Technical Consultants (ATC) to support various mine clearance projects in Afghanistan. The grant's initial objective was to clear 36 minefields and 7 battlefields, and raise awareness among civilians in targeted communities of the threats posed by landmines and explosive remnants of war. State issued two additional grants to ATC to continue and expand activities. The additional grants increased the total funding to \$4,891,000 and extended the period of performance end date from August 31, 2020, to August 31, 2021. The three grants were modified seven times, extending the period of performance through October 31, 2021. The total award amount did not change.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$4,891,000 in costs charged to the grants from June 17, 2019, through October 31, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in ATC's internal controls related to the grants, (2) identify and report on instances of material noncompliance with the grants' terms and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether ATC has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of ATC'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.

July 2024

State's Mine Clearance Projects in Afghanistan: Audit of Costs Incurred by Afghan Technical Consultants

SIGAR 24-30-FA

WHAT SIGAR FOUND

Conrad identified two significant deficiencies in ATC's internal controls and two instances of noncompliance with the terms of the grant agreements. Specifically, Conrad identified 24 instances where ATC could not provide sufficient proof of payment to vendors and one instance where ATC could not provide sufficient evidence to show that costs were related to the project. ATC was notified of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$13,009 in total questioned costs consisting entirely of unsupported costs—costs that were not supported with adequate documentation or did not have required prior approvals or authorizations. Conrad did not identify any ineligible costs—costs prohibited by the contract and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Travel & DSA	\$0	\$2,444	\$2,444
Supplies	\$0	\$1,866	\$1,866
Other Costs	\$0	\$7,516	\$7,516
Indirect Costs	\$0	\$1,183	\$1,183
Total Costs	\$0	\$13,009	\$13,009

Conrad identified one prior audit report, which contained four findings and accompanying recommendations that were relevant to ATC's grants. Conrad conducted follow-up procedures and determined that ATC had taken adequate corrective action on three of the four prior findings. Conrad also determined that ATC had not taken adequate corrective action in response to one prior finding related to vendor quotations not being addressed to a specific entity.

Conrad issued an unmodified opinion on ATC's SPFS, determining that the SPFS presents fairly, in all material respects, the revenue received, costs incurred and balances for the audit period.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends the responsible grants officer at State:

- Determine the allowability of and recover, as appropriate, \$13,009 in questioned costs identified in the report.**
- Advise ATC to address the report's two internal control findings.**
- Advise ATC to address the report's two noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 1, 2024

The Honorable Antony J. Blinken
Secretary of State

Ms. Jessica Lewis
Assistant Secretary of State for Political-Military Affairs

We contracted with Conrad LLP (Conrad) to audit the costs incurred by Afghan Technical Consultants (ATC) under three grants from the U.S. Department of State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (State) to support various mine clearance projects in Afghanistan.¹ The grants' objectives were to clear minefields and battlefields throughout Afghanistan, and raise awareness among civilians in targeted communities of the threats posed by landmines and explosive remnants of war. Conrad reviewed \$4,891,000 in costs charged to the grants from June 17, 2019, through October 31, 2021. Our contract with Conrad required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, SIGAR recommends that the responsible grants officer at State:

- 1. Determine the allowability of and recover, as appropriate, \$13,009 in questioned costs identified in the report.**
- 2. Advise ATC to address the report's two internal control findings.**
- 3. Advise ATC to address the report's two noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on ATC's Special Purpose Financial Statement, 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 April 3, 2024, and the conclusions expressed therein. However, our review disclosed no instances where Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-286)

¹ The grant numbers are S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015, and S-PMWRA-20-GR-0051.

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Three Grants Awarded by the Department of State, Bureau of Political-Military Affairs,
Office of Weapons Removal and Abatement
to Support Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

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April 3, 2024

Board of Directors
Afghan Technical Consultants
Kabul, Afghanistan

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 Afghan Technical Consultants' Special Purpose Financial Statement under three Grants awarded by the United States Department of State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement to support various demining clearance projects throughout Afghanistan, for the period June 17, 2019, through October 31, 2021.

On January 25, 2024, we provided the Special Inspector General for Afghanistan Reconstruction with a draft report reflecting our audit procedures and results. Afghan Technical Consultants received a copy of the report on March 7, 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 the Special Inspector General for Afghanistan Reconstruction and Afghan Technical Consultants. Additionally, Afghan Technical Consultants' responses and Conrad's corresponding rebuttals are incorporated into this report following our audit reports.

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

Sincerely,

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

Sam Perera, CPA, CFE, CITP, CGMA
Partner

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Background

Between 2019 and 2020, the United States Department of State's (State) Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA) awarded three (3) grants to Afghan Technical Consultants (ATC) to support various demining clearance projects throughout Afghanistan (Program).

The first grant, S-PMWRA-19-GR-0009 (GR-0009) was issued on June 13, 2019, to support the project entitled "Project 21 – Baghlan and Kunar." The objectives of this grant are as follows:

1. Clear 36 minefields and seven (7) battlefields in the provinces of Baghlan and Kunar and the districts of Khas Kunar, Asadabad, Marawara, Shaygal wa Shital, Wata Pur, Dushi, and Khinjan, with the use of 10 demining teams/battle area clearance teams and one (1) explosive ordnance disposal team in the period of 12 months.
2. Raise awareness of civilian population in the targeted communities of threats posed by landmines/Explosive Remnants of War (ERW) in the period of 12 months.

The second grant, S-PMWRA-19-GR-0015 (GR-0015) was issued on June 18, 2019, to support the project entitled "Project 22 – Kandahar." The objectives of this grant are as follows:

1. Clear anti-tank minefields in the province of Kandahar, district of Zhari, and the villages of Pasab and Pashmol, with the use of seven (7) community-based demining teams and five (5) mechanical demining units in the period of 12 months, and two (2) mine detection dog sets in the period of 7.5 months.
2. Raise awareness of civilian population in the targeted communities of threats posed by landmines/ERW in the period of 12 months.

The third grant, S-PMWRA-20-GR-0051 (GR-0051) was issued on June 25, 2020, to support the project entitled "Project 30 – Baghlan-Kabul-Laghman." The objectives of this grant are as follows:

1. Clear the anti-personnel mine/ERW in Laghman, Baghlan, and Kabul provinces, with the use of three (3) demining teams, two (2) battle area clearance teams, and one (1) mechanical demining unit in Laghman and Kabul in the period of four (4) months, nine (9) demining teams in Baghlan province in the period of eight (8) months, and one (1) site office in the period of 12 months.
2. Raise awareness of civilian population in the targeted communities of threats posed by landmines/ERW in the period of 12 months.

The initial approved budget for all three (3) grants totaled \$4,891,000. This total approved budget remained unchanged; however, there were various amendments which extended the period of performance for all three grants. See *Summary of Grants* below.

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Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Summary of Grants

Grant Number	Original Budget and Period of Performance			As Amended		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
S-PMWRA-19-GR-0009*	\$1,679,000	6/17/19**	4/30/20	2	No change	8/31/20
S-PMWRA-19-GR-0015*	1,792,000	6/20/19	6/19/20	2	No change	11/30/20
S-PMWRA-20-GR-0051*	1,420,000	9/1/20	8/31/21	3	No change	10/31/21
Total:	\$4,891,000			7	\$4,891,000	

* Indicates the award is close-out.

** Pre-award costs are approved from May 1, 2019.

ATC is a non-governmental organization founded in October 1989. ATC's primary objective is the elimination of mines and ERW through the removal, destruction, or neutralization of all explosive devices.

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 three (3) grants, as mentioned above, of ATC's Special Purpose Financial Statement (SPFS) for revenue received and costs incurred totaling \$4,891,000 for the period June 17, 2019, through October 31, 2021.

Objectives, Scope, and Methodology

Audit Objectives

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

- *Special Purpose Financial Statement (SPFS)* – Express an opinion on whether ATC's SPFS for the Grant Agreements presents fairly, in all material respects, the revenues received, costs

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Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the Grant Agreements and generally accepted accounting principles or other comprehensive basis of accounting.

- *Internal Controls* – Evaluate and obtain sufficient understanding of ATC's internal controls related to the Grant Agreements, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether ATC complied, in all material respects, with the Grant Agreements requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Grant Agreements 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 ATC 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 received and costs incurred during the period of June 17, 2019, through October 31, 2021, totaling \$4,891,000 under the Grant Agreements. Our testing of the indirect cost charged to the Grant Agreements was limited to determining that the indirect cost was calculated using the correct de minimis rate of 10%, as approved in the Grant Agreements.

Audit Methodology

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

Entrance Conference

An entrance conference was held on August 2, 2023, with representatives of ATC, Conrad, SIGAR, and State, 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 ATC. The scope of our audit includes ATC's management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of ATC through interviews, observations, and reading

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Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:

- Grant Agreements and modifications.
 - Any regulations that are specific to the Grant Agreements' requirements, such as 2 CFR 200 Subpart E Cost Principles, 2 CFR 600 Department of State Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
 - Department of State Standard Terms and Conditions
 - Previous SIGAR financial audit reports.
 - 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 Grant Agreements 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 Grant Agreements;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the de minimis rate of 10%, as approved in the Grant Agreements, to ensure that the rate was accurately applied.

Internal Controls Related to the Grant Agreements

We reviewed ATC's internal controls related to the Grant Agreements to gain an understanding of the implemented system of internal control to obtain reasonable assurance of ATC'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.

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Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Compliance with the Grant Agreements Requirements and Applicable Laws and Regulations

We performed tests to determine whether ATC complied, in all material respects, with the Grant Agreements requirements, 2 CFR 200, 2 CFR 600, and any other applicable laws and regulations. We also identified and reported instances of material noncompliance with terms of the Grant Agreements 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 ATC 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, State, and other Federal agencies, to identify previous engagements that could have a material effect on ATC's SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on ATC's 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 "Status of Prior Audit Findings" on page 28.

Exit Conference

An exit conference was held on January 17, 2024, via conference call. Participants included representatives from Conrad, ATC, SIGAR, and State. 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 \$13,009 in total questioned costs, comprised entirely of unsupported costs. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Grant Agreements' provisions or applicable laws and regulations, or not related to the Grant Agreements. We did not identify any ineligible costs.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on ATC's SPFS. In performing our testing, we considered whether the information

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Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
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Various Demining Clearance Projects throughout Afghanistan

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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 two (2) internal control findings. All internal control findings are considered to be significant deficiencies. See “Independent Auditor’s Report on Internal Control” on page 17.

Compliance

The results of our testing identified two (2) instances of noncompliance. See “Independent Auditor’s Report on Compliance” on page 19.

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*. ATC did not self-disclose any instances 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
2024-01	Non-compliance and Internal Control – Significant Deficiency	Insufficient evidence to demonstrate costs reported under the Program were paid and incurred or related to the project	\$ -	\$ 9,379	\$ 9,379
2024-02	Non-compliance and Internal Control – Significant Deficiency	Lack of adherence to procurement policy	-	3,630	13,009
Total Questioned Costs			\$ -	\$ 13,009	\$ 13,009

(Continued)

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Review of Prior Findings and Recommendations

Based on our request and search of prior engagements pertinent to ATC's activities under the Grant Agreements, we identified one (1) prior engagement with four (4) findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with the management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. Based on our review, ATC did not take adequate corrective action on one (1) out of the four (4) findings and recommendations. See "Status of Prior Audit Findings" on page 28 for a detailed description of the prior findings and recommendations.

Summary of ATC's Responses to Findings

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

Finding 2024-01: ATC did not agree or disagree with the finding. Regarding the first issue, ATC stated that the 24 instances in question were transactions made by the field office cashier in various provinces and remote communities. It was further stated that the shop keepers in provinces and far away communities do not usually provide a second invoice with writing of payment receipt in single procurement case, but only put confirmation of receipt on the back side of the invoice. ATC stated that they would start the practice of receiving separate acknowledgment of receipts for the far ways communities and provinces for consideration of compliances and internal controls in future wherever possible. Regarding the second issue, ATC stated that ATC liaison focal point had to travel to other provinces to meet the Anti-Government Elements (AGE) senior members for solving the security challenges and getting authorizations. Therefore, the cost incurred was made for the program related activities as the ATC focal point was instructed by the local AGEs to talk to some senior members stationed away from the ATC area of operations.

Finding 2024-02: ATC did not agree or disagree with the finding. For the vehicle rental, ATC stated that the internal SOP which authorizes the unique vendor process for procurement purposes was followed. For the employee airfare, ATC stated three different vendors were contacted for the submission of the quotations. It was further stated that ATC received these quotations through email and all the corresponding emails for quotations have been shared with the auditors.

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INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
Afghan Technical Consultants
Kabul, Afghanistan

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 Afghan Technical Consultants (ATC) and the related notes to the Special Purpose Financial Statement, with respect to the Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015, and S-PMWRA-20-GR-0051 (Grant Agreements) awarded by the United States Department of State's (State) Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA) to support Various Demining Clearance Projects throughout Afghanistan, for the period of June 17, 2019, through October 31, 2021.

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenues received, costs incurred, and balances for the indicated period of June 17, 2019, through October 31, 2021 are in accordance with the terms of the Grant Agreements and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR).

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 ATC, 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 1 and Note 2 to the Special Purpose Financial Statement, which describe the basis of presentation and the basis of accounting. As described in Note 1 to the Special Purpose Financial Statement, the Statement is prepared by ATC based on 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 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ATC'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 April 3, 2024, on our consideration of ATC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Grant Agreements, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering ATC's internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of Afghan Technical Consultants, the United States Department of State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, 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. 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 to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.



Lake Forest, California
April 3, 2024

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Special Purpose Financial Statement

	<u>S-PMWRA-19-GR-0009</u>		<u>S-PMWRA-19-GR-0015</u>		<u>S-PMWRA-20-GR-0051</u>		<u>Combined</u>		<u>Questioned Costs</u>			<u>Notes</u>
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Total revenues	<u>\$1,679,000</u>	<u>\$1,679,000</u>	<u>\$1,792,000</u>	<u>\$1,792,000</u>	<u>\$1,420,000</u>	<u>\$1,420,000</u>	<u>\$4,891,000</u>	<u>\$4,891,000</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	(4)
Costs incurred:												
Personnel	717,098	714,854	635,408	627,637	571,430	550,466	1,923,936	1,892,957	-	-	-	
Fringe Benefits	236,450	219,444	197,624	192,379	204,363	190,131	638,437	601,954	-	-	-	
Travel & DSA	5,250	3,609	6,100	5,793	4,200	644	15,550	10,046	-	2,444	2,444	(A)
Supplies	186,100	198,437	288,090	296,814	174,933	192,796	649,123	688,047	-	1,866	1,866	(B)
Contractual	-	-	91,305	91,058	-	-	91,305	91,058	-	-	-	
Other Costs	427,541	436,095	464,568	469,414	361,933	382,822	1,254,042	1,288,331	-	7,516	7,516	(C)
Indirect Cost	<u>106,561</u>	<u>106,561</u>	<u>108,905</u>	<u>108,905</u>	<u>103,141</u>	<u>103,141</u>	<u>318,607</u>	<u>318,607</u>	<u>-</u>	<u>1,183</u>	<u>1,183</u>	(D)
Total costs incurred	<u>\$1,679,000</u>	<u>\$1,679,000</u>	<u>\$1,792,000</u>	<u>\$1,792,000</u>	<u>\$1,420,000</u>	<u>\$1,420,000</u>	<u>\$4,891,000</u>	<u>\$4,891,000</u>	<u>\$ -</u>	<u>\$ 13,009</u>	<u>\$ 13,009</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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)

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Notes to Special Purpose Financial Statement¹

(1) Basis of Presentation

The accompanying Special Purpose Financial Statement (Statement) includes costs incurred under the United States Department of State (State) Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA) Grant Agreements S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015, and S-PMWRA-20-GR-0051, for demining activities conducted in Afghanistan during the period June 17, 2019, through October 31, 2021. Because the Statement presents only a selected portion of the operations of the Afghan Technical Consultants (ATC), it is not intended to and does not present the financial position, changes in net assets, or cash flows of ATC. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is specific to the aforementioned Grant Agreements.

(2) Basis of Accounting

Expenditures reported on the Statement are reported on the cash basis of accounting. Such expenditures are recognized in accordance with the cost principles of the Uniform Guidance, 2 CFR 200, and 2 CFR 600, wherein certain types of expenditures are not allowable or are limited to reimbursement.

(3) Foreign Currency Conversion Method

During the course of each project, ATC converts foreign currency from United States Dollars to Afghanis using an average exchange rate. The source of the exchange rates used in the conversions was the exchange rate employed by the bank at the time of the exchange.

(4) Revenues

Revenues on the Statement represent the amount of funds received from the United States Department of State through drawdowns made through the Payment Management System.

(5) Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved grant agreements and amendments, as applicable. Further approvals are required for adding new budget item lines and for more than a 10% variance to original budget categories.

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

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Notes to Special Purpose Financial Statement¹

(6) Fund Balance

The fund balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that cash was received from the United States Government that exceeds the actual costs incurred or charged to the Grants and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation prior to accompanying payments being received from the United States Government.

(7) Currency

All amounts presented are shown in United States dollars.

(8) Bank Account Interest

ATC maintains one main account for fund receiving and separate sub-bank accounts for payment management. These accounts are opened as current accounts with no interest received. The bank accounts are supported with monthly bank reconciliations and bank statement records accordingly.

(9) Periods of Performance

Pursuant to Federal regulations, allowable costs are limited to those obligations incurred during the period of performance of a grant. The periods of performance for each grant began on the day stated in the award documents and the project duration was also stated in the award documents unless an extension was approved. The original project period for Award No. S-PMWRA-19-GR-0009 was June 17, 2019, through April 30, 2020, but was extended through August 31, 2020. The original project period for Award No. S-PMWRA-19-GR-0015 was June 20, 2019, through June 19, 2020, but was extended through November 30, 2020. The original project period for Award No. S-PMWRA-20-GR-0051 was September 1, 2020, through August 31, 2021, but was extended through Oct 31, 2021.

(10) Funds Returned/Re-Obligated

No funds were returned to PM/WRA for the awards under audit.

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

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Notes to Special Purpose Financial Statement¹

(11) Status of Projects

Each project funded by the Grant Agreements referenced in the Statement is implemented and closed. No additional charges are anticipated.

(12) Indirect Cost

ATC has an approved maximum allowable indirect rate of ten (10) percent of the Modified Total Direct Cost.

(13) Subsequent Events

ATC has performed an analysis of the activities and transactions subsequent to the June 17, 2019, through October 31, 2021 period covered by the Statement. Management has performed their analysis through April 3, 2024.

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

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Travel and Daily Subsistence Allowance (DSA)

ATC reported a total of \$10,046 for Travel and DSA costs for the period of June 17, 2019, through October 30, 2021.

During our audit of these costs, we noted the following:

- Costs incurred lacked sufficient documentation to show cash payments were received by the vendors, resulting in unsupported costs of \$231. See **Finding No. 2024-01** in the “Schedule of Findings and Questioned Costs” section of this report.
- Costs incurred lacked sufficient documentation to justify costs were related to the Program, resulting in unsupported costs of \$113. See **Finding No. 2024-01** in the “Schedule of Findings and Questioned Costs” section of this report.
- Vendor quotations were not dated and not addressed to a specific entity, resulting in unsupported costs of \$2,100. See **Finding No. 2024-02** in the “Schedule of Findings and Questioned Costs” section of this report.

The issues identified above resulted in total unsupported Travel and DSA costs of \$2,444.

(B) Supplies

ATC reported a total of \$688,047 for Supplies costs for the period of June 17, 2019, through October 30, 2021.

During our audit of these costs, we noted the following:

- Costs incurred lacked sufficient documentation to show cash payments were received by the vendors, resulting in unsupported costs of \$1,866. See **Finding No. 2024-01** in the “Schedule of Findings and Questioned Costs” section of this report.

The issue identified above resulted in total unsupported Supplies costs of \$1,866.

(C) Other Costs

ATC reported a total of \$1,288,331 for Other Costs for the period of June 17, 2019, through October 31, 2021.

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.

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019 through October 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

During our audit of these costs, we noted the following:

- Costs incurred lacked sufficient documentation to show cash payments were received by the vendors, resulting in unsupported costs of \$6,316. See **Finding No. 2024-01** in the “Schedule of Findings and Questioned Costs” section of this report.
- Costs incurred lacked sufficient documentation to show ATC followed their procurement policies and procedures for purchasing threshold and competitive bidding, resulting in unsupported costs of \$1,200. See **Finding No. 2024-02** in the “Schedule of Findings and Questioned Costs” section of this report.

The issues identified above resulted in total unsupported Other Costs of \$7,516.

(D) Indirect Costs

ATC reported a total of \$318,607 in Indirect Costs for the period of June 17, 2019, through October 31, 2021.

The Indirect Costs associated with questioned costs identified in **Notes A, B, and C** above resulted in total unsupported indirect costs of \$1,183.

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
Afghan Technical Consultants
Kabul, Afghanistan

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 Afghan Technical Consultants (ATC) under Grant Agreement No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015, and S-PMWRA-20-GR-0051 (Grant Agreements) to support Various Demining Clearance Projects throughout Afghanistan for the period of June 17, 2019, through October 31, 2021. We have issued our report thereon dated April 3, 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 June 17, 2019, through October 31, 2021, we considered ATC'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 ATC's internal control. Accordingly, we do not express an opinion on the effectiveness of ATC'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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We identified two (2) deficiencies in internal control as described in the accompanying "Schedule of Findings and Questioned Costs". **Findings 2024-01** and **2024-02** are considered significant deficiencies.

ATC's Response to Findings

ATC's response to the findings identified in our audit is included verbatim at the *Appendix A*. ATC'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 ATC'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 ATC, the United States Department of State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, 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. 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 Congress and to the public by SIGAR to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

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

Lake Forest, California
April 3, 2024

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
Afghan Technical Consultants
Kabul, Afghanistan

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 Afghan Technical Consultants (ATC) under Grant Agreement No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015, and S-PMWRA-20-GR-0051 (Grant Agreements) in support of Various Demining Clearance Projects throughout Afghanistan, for the period of June 17, 2019, through October 31, 2021. We have issued our report thereon dated April 3, 2024, with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ATC'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 Grant Agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two (2) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as **Findings 2024-01** and **2024-02**.

Afghan Technical Consultants' Response to Findings

ATC's response to the findings identified in our audit is included verbatim at the *Appendix A*. ATC'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 ATC, the United States Department of State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, 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. 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 Congress and to the public by SIGAR 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
April 3, 2024

(Continued)

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Schedule of Findings and Questioned Costs

Finding 2024-01: Insufficient evidence to demonstrate costs reported under the Program were paid and incurred or related to the project

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

Condition: Conrad tested the following:

- 7 transactions out of 145 transactions in the Travel and DSA category, representing \$3,291 out of a total \$10,046 in this category;
- 175 transactions out of 3,748 transactions in the Supplies category, representing \$105,434 out of a total \$688,047 in this category; and
- 335 transactions out of 6,800 transactions in the Other Costs category, representing \$279,258 out of \$1,288,331 in this category.

During our testing to determine if costs incurred under the Grant Agreements were reasonable, adequately supported, and properly approved, we noted the following issues:

Description	Cost Category	Grant	Instances	Unsupported Cost
1) Missing or insufficient proof of payment				
ATC did not provide documentation showing vendors acknowledged receipt of cash payments.	Travel and DSA	GR-0009	1	\$ 231
	Supplies	GR-0009	3	640
	Supplies	GR-0015	4	1,226
	Other Costs	GR-0009	5	929
	Other Costs	GR-0015	6	3,448
	Other Costs	GR-0051	5	1,939
Totals:			24	\$ 8,413
2) Insufficient evidence showing costs were related to the project				
ATC did not provide documentation showing transportation costs incurred were related to the Program. The Travel Request Form stated travel from Balkh to Jozjan province, whereas the project was being implemented in the Kandahar province. ATC stated that Anti-Government Elements (AGE) would not let non-governmental organizations (NGO) implement projects in provinces or rural areas.	Travel and DSA	GR-0015	1	\$ 113

(Continued)

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Financial Audit of the Special Purpose Financial Statement for
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and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Schedule of Findings and Questioned Costs (Continued)

As such, a Liaison Officer was hired to communicate with AGE to let NGOs implement project activities. ATC further stated that sometimes the Liaison Officer would travel to different provinces to communicate with the head or senior of AGE. However, no documentation supported what ATC stated.				
Totals:			1	\$ 113

All the instances noted above resulted in total unsupported costs of \$8,526.

Criteria:

ATC’s Finance Manual SOP, Section 2.3 – Recording of Transaction, states:

“2.3.5 – Signature of the Payee:

The payee shall sign the voucher acknowledging the receipt of the fund if the payment is through cheque and/or cash, and if it is a transfer from ATC Bank account to payee Bank account then there is no need for signing the receipt. In rare instances, when the payee is unable to collect the funds (cheque and/or cash) in person, he/she should provide a written authorization to the individual who will collect the funds on his/her behalf. This authorization should be attached to the voucher and the individual shall present proper identification for verification. If the above to option not applicable the vendor ask for cash, ATC will facilitate the payment to vendor through ATC cashier.

2.3.6 Supporting Documents:

For all payment, the original invoice dully certified and/or other supporting documents shall be attached to the vouchers. Other supporting documents are copies of.

- *Contracts*
- *Original Travel Claims*
- *Purchase Orders*
- *Others*

For payment of contracts, these should be attached to the Vouchers for the first/one-time payment.”

(Continued)

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
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Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Schedule of Findings and Questioned Costs (Continued)

ATC's Finance Manual SOP, Section 1.3 – Responsibilities of Committing Officers, states in part:

"a) Ensure that the appropriate authorizations are in place. Certify that all expenditures are incurred in accordance with the purpose for which the funds are allocated and that funds are available for such disbursement..."

c) Determine whether the proposed commitments or payment are correct and are in accordance with financial regulation, rules and policies and planned activities..."

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

"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...

(c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity...

(g) Be adequately documented..."

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..."

2 CFR 200.404, Reasonable Costs, states in part:

"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally funded. In determining reasonableness of a given cost, consideration must be given to: ...

(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."

Cause: ATC did not perform adequate management oversight to ensure proper documentation showing that the payment was made to the appropriate vendor, as required under its policy. Regarding the transportation costs, ATC did not have a policy requiring documentation to show all costs incurred are related to a project.

(Continued)

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Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
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Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Effect: Lack of management oversight to ensure proper supporting documentation increases the risk that the federal government will pay for goods and services that are unrelated to the project.

Questioned Costs: We identified \$8,526 in unsupported costs, \$853 in associated indirect costs, which resulted in \$9,379 in total questioned costs.

Recommendation:

- (1) We recommend that ATC provide sufficient documentation to show the payment was made to the appropriate vendor and transportation costs were related to the Program or return \$9,379 of unsupported costs and associated indirect costs to the Department of State.
- (2) We recommend ATC improve management oversight by developing an internal control monitoring policy and procedure to ensure payments to vendors adhere to its Finance Manual.
- (3) We recommend ATC develop and implement policies and procedures to ensure transportation costs incurred are related to the Program and for projects that are restricted by AGE, clear audit trails must be maintained to demonstrate the transportation costs are related to the project.

(Continued)

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Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051

Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Finding 2024-02: Lack of adherence to procurement policy

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

Condition: Conrad tested seven (7) transactions of 145 transactions in the Travel and DSA category, representing \$3,291 out of a total \$10,046 in this category; and 335 transactions of 6,800 transactions in the Other Costs category, representing \$279,258 out of \$1,288,331 in this category.

During our testing to determine if costs incurred under the grant Agreements were reasonable, adequately supported, and properly approved, we noted the following:

- One (1) instance for vehicle rental, where ATC could not provide competitive bidding quotations from multiple vendors and comparative statement of quotations. This resulted in questioned costs of \$1,200.
- One (1) instance for employee airfare, where three (3) vendor quotations were obtained, but two (2) were not dated and all three (3) were not addressed to ATC. In addition, there was no evidence that a Request for Quote had been sent to these three (3) vendors. Without the vendor's dated quotation addressed to ATC there was insufficient evidence to demonstrate that ATC actually initiated formal procurement for this purchase, as required by its policy, and the purchases were competitively procured. This resulted in questioned costs of \$2,100.

All the instances noted above resulted in total unsupported costs of \$3,300.

Criteria:

ATC's Logistics & Asset Management SOP, Section 1.3 – Purchasing, states in part:

"1.3.1 Purchasing Limit at ATC will be as follows: ...

d) Purchases of USD 501.00 and above will be made by a separate approved purchase committee. The committee will prepare three RFQ and will submit to concerned vendors for asking Quotations. After receiving all quotations, the procurement officer will prepare the Comparative Statement to specify the lowest cost / vendor, then it will be attested by logistic manager and checked by finance manager and finally approved by director prior making the purchase.

e) Purchase of items of USD 10,000.00 and above should be through a separate approved purchase committee to prepare five RFQs for acquiring five quotations. After receiving all quotations the procurement officer will prepare the Comparative Statement to specify the lowest cost / vendor, then it will be attested by logistic manager and checked by finance

(Continued)

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Schedule of Findings and Questioned Costs (Continued)

manager and finally approved by director prior making the purchase.”

ATC’s Logistics & Asset Management SOP, Section 1.4 – Forms, states:

“1.4.6 – Quotations

It is a formal document from the supplier side sent out to ATC which describes the specification of requested items, its unit price, and information on manufacturer. The suppliers can use their own quotation form or standard ATC quotation form presented to them.”

2 CFR 200.319, Competition, states in part:

“(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section...”

(b) In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements...”

2 CFR 200.404, Reasonable Costs, states in part:

“A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally funded. In determining reasonableness of a given cost, consideration must be given to: ...

(c) Market prices for comparable good or services for the geographic area...

(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award’s cost.”

Cause: ATC lacked management oversight and review to ensure that the policies and procedures for procurement were followed for costs incurred. Additionally, ATC did not have an internal policy that specifically required that vendor quotations to be addressed to ATC for them to be paid.

Effect: Lack of an adequate management review of the procurement process may have resulted in the acquisition of goods and/or services at inflated costs to the United States government and an increased risk of fraud, waste, and abuse. Additionally, lack of internal policy ensuring that each quotation is specifically addressed to ATC leads to the uncertainty that items purchased were not competitively procured.

(Continued)

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Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051

Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Questioned Costs: We identified \$3,300 in unsupported costs, \$330 in associated indirect costs, which resulted in \$3,630 in total questioned costs.

Recommendation:

- (1) We recommend that ATC provide sufficient procurement documentation for the transactions incurred or return \$3,630 of unsupported costs and associated indirect costs to the Department of State.
- (2) We recommend that ATC strengthen supervisory controls and review to ensure policies and procedures are followed and all purchases are competitively procured to the maximum extent practical.

(Continued)

Afghan Technical Consultants

Financial Audit of the Special Purpose Financial Statement for
Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015,
and S-PMWRA-20-GR-0051
Various Demining Clearance Projects throughout Afghanistan

For the Period of June 17, 2019, through October 31, 2021

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from ATC, SIGAR, and State pertaining to grant activities under this audit. We identified one (1) prior audit report which contained four (4) 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 ATC's management, and performed testing of similar activities during our audit. We have summarized the results of our procedures below:

1. SIGAR Audit 21-17: Financial Audit of Costs Incurred Under Five Grants Awarded by Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA) Supporting Various Community Based Demining Projects Throughout Afghanistan. For the Period of December 2, 2015, through May 31, 2019

Finding 2020-01: Vendor invoices and/or quotations charged to grants were not addressed to ATC

Issue: The audit firm noted that specific vendor invoices and/or quotations were not specifically addressed to ATC but rather to an individual or not addressed to a specific entity. ATC explained that suppliers occasionally missed the organization name on the invoice or will write the name of the ATC personnel with whom they were dealing or forget to write ATC's name on the invoice. Addressing invoices and/or quotations to ATC allows ATC to determine if the invoices are allowable and chargeable to the grants. This resulted in total unsupported costs of \$3,159, which included \$287 of associated indirect costs.

Status: For the current engagement, we noted one instance of vendor quotations not being addressed to a specific entity, see **Finding 2024-02** of this audit report. As such, Conrad concluded that ATC has not taken adequate corrective action on this finding.

Finding 2020-02: Lack of adherence to procurement policy

Issue: The audit firm identified one instance where ATC did not receive the director's approval on an "urgent" purchase of office stationery totaling \$573 as required by ATC's internal policy. This resulted in unsupported questioned costs of \$630, of which \$57 were associated indirect costs.

Status: For the current engagement, there were no instances of missing necessary approvals on urgent purchases. As such, we concluded that ATC has taken adequate corrective action on this finding.

(Continued)

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Status of Prior Audit Findings

Finding 2020-03: Costs claimed exceeded the approved budget rates

Issue: The audit firm identified 33 instances where ATC claimed rates that exceeded the authorized rate as approved in the applicable budget. Thirty-one instances were employee salary rates and 2 instances were office rent rates. This resulted in ineligible questioned costs of \$4,298, of which \$390 were associated indirect costs.

Status: For the current engagement, there were no instances where the costs claimed exceeded the approved budget rates. As such, we concluded that ATC has taken adequate corrective action on this finding.

Finding 2020-04: ATC did not adhere to Afghanistan tax law

Issue: The audit firm identified 26 instances where ATC did not withhold taxes from supplier purchases as required by Afghanistan tax law. ATC explained that the issues were noticed by the tax office while clearing the annual income tax returns of ATC for the 2019, 2017, and 2018 tax years. ATC stated that the suppliers were contacted and had paid the related taxes along with any other fees due to the Afghan government to close the matter. This did not result in any questioned costs.

Status: For the current engagement, ATC obtained a tax clearance exemption from the Afghanistan government. As such, we concluded that ATC has taken adequate corrective action on this finding.

(Continued)

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ATC's Responses to Audit Findings

ATC has provided formal responses to the audit findings identified in this report. These responses have been inserted verbatim as presented below:

Finding 2024-01: Insufficient evidence to demonstrate costs reported under the Program were paid and incurred or related to the project

ATC Management Response

Afghan Technical Consultants (ATC) management team is pleased to express sincere appreciation for conducting the Financial Audit of the Special Purpose Financial Statement for Grant Award No. S-PMWRA-19-GR-0009, S-PMWRA-19-GR-0015, and S-PMWRA-20-GR-0051, Various Demining Clearance Projects throughout Afghanistan, for the period of June 17, 2019, through October 31, 2021.

We are grateful for the thoroughness and professionalism demonstrated by the Conrad Audit team throughout the audit process. We have received the financial audit report, and ATC management team would like to extend its gratitude for sharing the report with us. The report provides valuable insights and recommendations for improving the operations of ATC. We recognize the importance of these recommendations in enhancing our effectiveness and efficiency as humanitarian organization.

In response to the report, we have prepared a comprehensive management response, addressing each comment and recommendation provided. We have taken these suggestions seriously and have developed action plans to implement the necessary improvements in our operations. To ensure a more productive and collaborative approach, we would like to further state that for any further concerns or points ATC management team is flexible and would like to respond accordingly.

ATC Response to Finding 2024-01

The 24 instances as noted by the auditor were the transactions made by the field office cashier in various provinces and remote communities. As per the management practice of ATC, monthly petty cash amount is transferred to the field office cashier upon proper authorization for performing the remote communities project base camps related transactions. The cashier was assigned to pay the cash against proper invoice after proper authorization of the relevant and

(Continued)

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ATC's Responses to Audit Findings

concerned procurement committee. Usually, in faraway communities and insecure provinces of Afghanistan it has been difficult to receive the invoice even in a standard format.

ATC management assume generally the invoice and other essential procurement documentations as sufficient and appropriate supporting evidences for executing the petty cash transaction in various provinces and far away communities. It is essential to let you know that the concerned projects were implemented in hard-to-reach communities which were controlled by Anti Government Elements (AGE) at the time of project execution.

These 24 bills were supported by Purchase requisition forms, goods receipt notes with signatures of purchase committee members and other authorized officials as well as sanction list clearance certificate from SAM and other related documents based on ATC procurement policy.

The shop keepers usually in provinces and far away communities do not give the second invoice with writing of payment receipt in single procurement case, only put confirmation of receipt on the back side of the invoice. The copy of the required procurement documents for the 28 instances were already shared with the auditor accordingly and presented sufficient and appropriate audit evidences as an eligible and properly supported cost.

The ATC management welcomes the auditor observation and would start the practice of receiving separate acknowledgment of receipts for the far ways communities and provinces for consideration of compliances and internal controls in future wherever possible.

The \$113 payment is made to ATC Liaison focal point to the AGE as local ground transportation cost. The cost paid as program related cost and ATC management would like to highlight the context of the payment made.

The ATC liaison focal point had to travel to other provinces to meet the AGE senior members for solving the security challenges and getting authorizations. Therefore, the cost incurred was made for the program related activities as the ATC focal point was instructed by the local AGEs to talk to some senior members stationed away from the ATC area of operations.

During the period from 2019 to 2021 projects implementation was only possible with proper liaising based on humanitarian principles. The security challenges in some cases caused delay the project operations as well, which had been communicated with donors timely.

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ATC's Responses to Audit Findings

ATC appreciates and welcomes the auditor findings and commit to implement these findings and observations in the future.

Finding- 2024-02: Lack of adherence to procurement policy**ATC Response to Finding 2024-02**

The questioned cost of \$1,200 were related to the lease of private vehicle from the community for usage of the ATC liaison focal point to the areas controlled by the AGE. Normally, the AGE did not like our liaison to use official vehicles for travelling to their locations and advised to use the vehicles from the communities under their control.

Based on the ATC internal SOP, which authorizes the unique vendor process for procurement purpose, and consequently seeking three quotations was not applicable.

The instances noted by the auditor were related to unappropriated quotations, where the auditor points that the quotations in the procurement were not in the name of the ATC and dates missing.

The quotation was called for the ATC through proper channel of procurement committee. Three different vendors were contacted for the submission of the quotations. As per the ATC procurement process for international travels required to take prior donors' approval which has been taken accordingly for the aforementioned transaction for attending of ATC Operations Manager in the Middle Management course at [REDACTED] in the USA.

The ATC received these quotations through emails and all the corresponding emails for quotations have been shared with the auditors.

Normally, the travel agencies quote the cost of the actual travelling dates and the required selection of the airlines. For these quotations all the aforementioned factors were properly considered. On the same dates actual flights happened.

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

ATC did not disagree nor agree with Findings 2024-01 and 2024-02 but provided a response to each finding. We have reviewed ATC's responses and provided the following rebuttals:

Finding 2024-01 Insufficient evidence to demonstrate costs reported under the Program were paid and incurred or related to the projectAuditor Rebuttal:

As stated in the finding, we could not properly determine the vendors received cash payments due to ATC's inability to provide appropriate evidence supporting payment receipt. Some vendor invoices were signed on the back; however, we could not verify whose signatures they were, and some invoices were not signed at all. Regarding the second issue, although ATC indicated that the transportation cost was incurred for the program related activities, ATC was not able to provide evidence supporting this claim. As such, the finding and recommendations remain unchanged.

Finding 2024-02 Lack of adherence to procurement policyAuditor Rebuttal:

For the vehicle rental, ATC did not provide a sole source justification or similar evidence showing that the selected vendor was a unique vendor. For the employee airfare, ATC provided email correspondence, however we did not find any evidence showing ATC sent a Request for Quotations to the vendors or received the quotations via email. As such, the finding and recommendations remain unchanged.

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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SIGAR's Mission

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