

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 24-35 Financial Audit

USAID's Afghanistan Value Chains–Livestock Activity: Audit of Costs Incurred by DAI Global LLC

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



AUGUST
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On June 9, 2018, the U.S. Agency for International Development (USAID), Mission to Afghanistan awarded a cost-plus-fixed-fee contract to DAI Global LLC (DAI) to implement the Afghanistan Value Chains–Livestock activity (AVC–Livestock). The AVC–Livestock program provided support for poultry, livestock, and dairy product value chain activities. The contract included a 3-year base period and a 2-year option period, with a period of performance from June 9, 2018, through June 9, 2023. USAID modified the contract 13 times. The modifications increased the contract value from \$55,672,171 to \$75,672,171 and extended the contract end date to June 8, 2025.

SIGAR’s financial audit, performed by Castro & Company LLC (Castro) reviewed \$21,677,174 in costs and fixed-fees charged to the contract from August 1, 2021, through May 31, 2023. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in DAI’s internal controls related to the contract; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether DAI has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of DAI’s Special Purpose Financial Statement (SPFS). See Castro’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 Castro did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

August 2024

USAID’s Afghanistan Value Chains–Livestock Activity: Audit of
Costs Incurred by DAI Global LLC

SIGAR 24-35-FA

WHAT SIGAR FOUND

Castro identified two deficiencies in DAI’s internal controls and two instances of noncompliance with the terms of the contract or the Federal Acquisition Regulations. For example, Castro reviewed 30 DAI property records included in its government property book and found that 10 property records included errors such as insufficient or inaccurate supporting documentation. Castro also found that of the eight financial reports it reviewed, DAI did not submit three in a timely manner. Additionally, Castro was unable to verify that the annual property reports were submitted because they were not made available for our review. DAI was notified of the deficiencies and compliance issues prior to publication of this report. Castro did not identify any question costs related to the internal control deficiencies or noncompliance.

Castro identified 15 prior audit reports relevant to DAI’s AVC–Livestock contract. Of these 15 audit reports, 4 included five findings that required follow-up or corrective action and could have a material effect on the SPFS or other financial data significant to the audit objectives. Castro’s audit noted DAI had not taken corrective action on five of the prior audit findings and noted that they were similar to issues found in the current audit. In fact, two previous SIGAR audits, both dated August 2021, identified the current finding concerning poor property records.

Castro issued an unmodified opinion on DAI’s SPFS, noting it presents fairly, in all material respects, revenues received, and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

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

1. Advise DAI to address the report’s two internal control findings.
2. Advise DAI to address the report’s two noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

August 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 Castro & Company LLC (Castro) to audit the costs incurred by DAI Global LLC (DAI) under a cost-plus-fixed-fee contract issued by the U.S. Agency for International Development (USAID) in support of its Afghanistan Value Chains–Livestock activity (AVC–Livestock).¹ The goal of AVC–Livestock was to provide support for poultry, livestock, and dairy product value chain activities. Castro reviewed \$21,677,174 in costs and fixed-fees charged to the contract from August 1, 2021, through May 31, 2023. Our contract with Castro required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Advise DAI to address the report's two internal control findings.**
- 2. Advise DAI to address the report's two noncompliance findings.**

Castro discusses the results of the audit in detail in the attached report. We reviewed Castro's report and related documentation. We also inquired about Castro'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 DAI's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Castro is responsible for the attached auditor's report, dated April 17, 2024, and the conclusions expressed therein. However, our review disclosed no instances in which Castro 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-279)

¹ The contract number is 72030618C00011.



DAI Global, LLC
Financial Audit of Costs Incurred
For Contract No. 72030618C00011
For the period of August 1, 2021 through May 31, 2023
(With Independent Auditor's Report Thereon)

April 17, 2024

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00011
For the Period of August 1, 2021 through May 31, 2023

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Transmittal Letter

April 17, 2024

To the Board of Directors and Management of DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, MD 20814

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

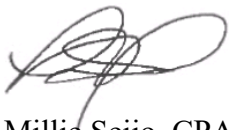
We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during our audit of the Special Purpose Financial Statement (the Statement) applicable to DAI Global, LLC's (DAI) Contract No. 72030618C00011 with the United States Agency for International Development (USAID), funding the Afghanistan Value Chains – Livestock activity for the period of August 1, 2021 through May 31, 2023.

Within the pages that follow we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Statement, our report on internal control, and our report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of DAI, USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction, provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses were incorporated as **Appendix A** to this report.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of DAI's contract.

Sincerely,



Millie Seijo, CPA, Partner
Castro & Company, LLC

DAI Global, LLC
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Summary

Background

On June 9, 2018, the United States Agency for International Development (USAID) Mission to Afghanistan awarded a performance-based completion-type Cost-Plus-Fixed-Fee (CPFF) contract (Contract No. 72030618C00011) to DAI Global, LLC (DAI) for the implementation of the Afghanistan Value Chains – Livestock activity (herein referred to as “AVC-Livestock” or “activity”). The purpose of the activity is to provide support for poultry, livestock, and dairy product value chain activities. The original period of performance of this contract was a three-year base period with a two-year option period. The total estimated CPFF for the three-year base period and two-year option period is \$55,672,171, which is comprised of [REDACTED] in total estimated costs and [REDACTED] in fixed fees. This contract has been modified 13 times, increasing the total estimated CPFF from \$55,672,171 to \$75,672,171, increasing the total obligated amount from \$53,338,927 to \$58,786,530, and extending the period of performance from June 9, 2023 to June 8, 2025.

The audit’s scope included activity within the period of August 1, 2021 through May 31, 2023. Within the period under audit, DAI reported \$21,677,174 in total revenue, which consisted of [REDACTED] in reimbursable costs and [REDACTED] in fixed fee earned under the contract.

Work Performed

Castro & Company, LLC (Castro) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of DAI’s Special Purpose Financial Statement (the Statement) for costs incurred under Contract No. 72030618C00011 for the period of August 1, 2021 through May 31, 2023.

Objectives Defined by SIGAR

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

Audit Objective 1 – Internal Controls

Evaluate and obtain a sufficient understanding of DAI’s internal controls related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 2 – Special Purpose Financial Statement

Express an opinion on whether the Statement for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

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Contract No. 72030618C00011
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Audit Objective 3 – Compliance

Perform tests to determine whether DAI complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Determine and report on whether DAI has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the Statement or other financial data significant to the audit objectives.

Scope

The scope of our work included performing a financial audit of costs incurred of DAI’s Contract No. 72030618C00011 for the period of August 1, 2021 through May 31, 2023. The audit was limited to those matters and procedures pertinent to the contract that have a direct and material effect on the Statement. The audit also included an evaluation of the presentation, content, and underlying records of the Statement. Further, the audit included reviewing the financial records that support the Statement to determine if there were material misstatements and if the Statement was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Administrative oversight, controls, and fraud risk assessment;
- Budgetary Compliance;
- Methodology for allocation of Indirect Cost Rates;
- Disbursements (payroll and non-payroll);
- Procurement;
- Inventory Management;
- Reporting; and
- Compliance.

Finally, we expressed an opinion on the Statement and are reporting our findings. Our audit was performed in accordance with United States Generally Accepted Government Auditing Standards (GAGAS or the “Yellow Book”) issued by the Comptroller General of the U.S. Government Accountability Office (GAO) (2018 Revision).

Methodology

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

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Entrance Conference

An entrance conference was held via conference call on July 10, 2023. Participants included representatives from Castro, DAI, SIGAR, and USAID. The purpose of the entrance conference was to discuss the nature, timing, and extent of 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:

1. Obtained an understanding of DAI;
2. Reviewed the contract and modifications;
3. Reviewed specific USAID regulations that are applicable to the contract;
4. Reviewed audited financial statements and previous SIGAR and USAID financial audit reports;
5. Performed a financial reconciliation; and
6. Selected samples based on our sampling techniques as outlined in our approved Audit Plan.

Audit Objective 1 – Internal Controls

Castro obtained and reviewed DAI's policies and procedures to gain an understanding of the system of internal control established by DAI during the period of performance. Additionally, Castro conducted interviews with management to obtain an understanding of the processes that were in place during the period of performance. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Castro confirmed internal controls identified by DAI and performed testing over certain key controls to understand if they were implemented as designed.

Audit Objective 2 – Special Purpose Financial Statement

Transactions were selected from the general ledger detail supporting the Statement and were tested to determine if the transactions were recorded accurately and consistent with the terms and conditions of the contract; were incurred within the period covered by the Statement; were appropriately allocated to the contract; and were adequately supported.

Audit Objective 3 – Compliance

Castro reviewed the contract issued by USAID to identify criteria against which to test the Statement. Using a combination of random and judgmental sampling techniques, Castro selected transactions, vouchers for payment submitted to USAID, procurements, government property, and reports for testing. Supporting documentation was provided by DAI and evaluated to assess DAI's compliance. Testing of indirect costs was limited to determining whether indirect costs were

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calculated and charged to the U.S. Government in accordance with the Negotiated Indirect Cost Rate Agreement issued by USAID.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Castro inquired of DAI, SIGAR, and USAID representatives regarding prior audits, reviews, or assessments that were pertinent to the audit scope. Castro also conducted an independent search of publicly available information to identify audit and review reports. As a result, we identified 15 prior reports. In each instance, Castro reviewed prior audit reports to ascertain whether findings may be direct and material to the audit objectives. In instances where findings were determined to be potentially material to the audit objectives, Castro reviewed the prior audit reports to determine whether corrective action from any of the prior findings and recommendations was denoted as unresolved, inadequate, or otherwise incomplete such that additional follow-up is necessary. See **Schedule II: Summary Schedule of Prior Audit, Review, and Assessment of Findings.**

Exit Conference

An exit conference was held on January 18, 2024 via a conference call. Participants included representatives from Castro, DAI, SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

Upon completion of Castro’s procedures, we issued an unmodified opinion on the Statement noting that it presents fairly, in all material respects, the revenues earned, costs incurred, and balance for the period audited. We also reported on DAI’s internal control and compliance with contract terms, laws, and regulations.

Castro reported on both DAI’s internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the contract. Two deficiencies in internal control were identified and were also classified as instances of noncompliance. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding. See Independent Auditor’s Report on Internal Control on page 12 and Independent Auditor’s Report on Compliance on page 15.

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we performed tests of its compliance with certain provisions of the contract and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the Statement amounts. The results of our tests disclosed two instances of noncompliance related to this audit.

In response to the identified instances of noncompliance, Castro did not identify any questioned costs. SIGAR requires questioned costs to be classified as either “ineligible” or “unsupported.” SIGAR defines ineligible costs as those that are explicitly questioned because they are

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unreasonable, prohibited by the audited contract or applicable laws and regulations, or that are unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or did not have the required prior approvals or authorizations.

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*. Evidence of such items was not identified by our testing.

Castro also requested copies of prior audits, reviews, and evaluations pertinent to DAI’s financial performance under this contract. Four of the 15 prior audits referenced above contained audit findings and recommendations that were direct and material to the award. From those four reports, Castro identified five findings that were subject to review. Castro conducted procedures to determine whether adequate corrective action had been taken on the five findings. Castro concluded that DAI had not taken adequate corrective action on all five prior year findings as we noted similar issues in our current audit. See **Schedule II: Summary Schedule of Prior Audit, Review, and Assessment of Findings**.

This summary is intended to present an overview of the results of the procedures completed for the purpose described herein and is not intended to be a representation of the audit results in their entirety.

Summary of Findings and Questioned Costs

| Finding No. | Finding Name | Classification | Total Questioned Costs |
|-------------------------------|--|---|------------------------|
| 2023-01 | Inaccurate and Insufficient Property Records | Internal Control – Deficiency and Noncompliance | \$ - |
| 2023-02 | Untimely and Insufficient Proof of Submission of Quarterly Financial Reports and Annual Property Reports | Internal Control – Deficiency and Noncompliance | \$ - |
| Total Questioned Costs | | | \$ - |

Summary of Management Comments

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

- **Finding 2023-01:** DAI disputed this finding, stating that the inventory items in question were actually disposed of to, not procured by, the AVC-Livestock project.
- **Finding 2023-02:** DAI agreed with this finding and noted that timely submission of contractual reports continues to be a focus for AVC-Livestock.

Castro’s rebuttal to DAI’s responses can be found in **Appendix B**.

Independent Auditor's Report on the Special Purpose Financial Statement

To the Board of Directors and Management of DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, MD 20814

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

Opinion

In accordance with the terms of the contract and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR), we have audited the accompanying Special Purpose Financial Statement (the Statement) of DAI Global, LLC (DAI) and the related notes to the Statement, with respect to Contract No. 72030618C00011 awarded by the United States Agency for International Development to support the Afghanistan Value Chains – Livestock activity, for the period of August 1, 2021 through May 31, 2023. In our opinion, the Statement presents fairly, in all material respects, the respective revenue received, costs incurred, and balances for the indicated period of August 1, 2021 through May 31, 2023, in accordance with the terms of the contract and requirements provided by SIGAR.

Basis for Opinion

We conducted our audit in accordance with U.S generally accepted government auditing standards. 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 DAI 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 Notes 1 and 2 to the Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Statement, the Statement is prepared by DAI 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.

Responsibilities of Management for the Special Purpose Financial Statement

DAI management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements provided by SIGAR. Management is also responsible for the

design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the 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 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 U.S. generally accepted government auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statement.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statement.

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

Other Reporting Required by Government Auditing Standards

In accordance with U.S. generally accepted government auditing standards, we have also issued our reports dated January 18, 2024 on our consideration of DAI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the contract, and other matters. The purpose of these 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 U.S. generally accepted government

auditing standards in considering DAI's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of our audit.

This report is intended for the information of DAI Global, LLC, the United States Agency for International Development, and the Office of 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 to the public by the Office of the Special Inspector General for Afghanistan Reconstruction in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Castro & Company, LLC

Alexandria, VA
January 18, 2024

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Contract No. 72030618C00011
For the Period of August 1, 2021 through May 31, 2023

Special Purpose Financial Statement

| | <u>Budget</u> | <u>Actual</u> | <u>Questioned Costs</u> | | <u>Total</u> | <u>Notes</u> |
|--|----------------------|----------------------|-------------------------|--------------------|--------------|----------------|
| | | | <u>Ineligible</u> | <u>Unsupported</u> | | |
| <i>Revenues</i> | | | | | | |
| Contract No. 72030618C00011 | 55,672,171 | 21,677,174 | - | - | - | |
| Total Revenue | \$ 55,672,171 | \$ 21,677,174 | \$ - | \$ - | \$ - | 1, 2, 4 |
| <i>Costs Incurred</i> | | | | | | 5 |
| Direct Labor/Personnel/Salaries | ██████████ | ██████████ | - | - | - | |
| Fringe Benefits | ██████████ | ██████████ | - | - | - | |
| Travel, Transportation, and Per Diem | ██████████ | ██████████ | - | - | - | |
| Equipment/Supplies | ██████████ | ██████████ | - | - | - | |
| Allowances | ██████████ | ██████████ | - | - | - | |
| Subcontracts | ██████████ | ██████████ | - | - | - | |
| Other Direct Costs | ██████████ | ██████████ | - | - | - | |
| Security Costs | ██████████ | ██████████ | - | - | - | |
| Indirect Costs (Overhead and General & Administrative) | ██████████ | ██████████ | - | - | - | |
| Total Costs Incurred | \$ ██████████ | \$ ██████████ | \$ - | \$ - | \$ - | |
| Fixed Fee | ██████████ | ██████████ | - | - | - | |
| Total Costs-Plus-Fixed-Fee | \$ 55,672,171 | \$ 21,677,174 | \$ - | \$ - | \$ - | |
| Outstanding Balance | \$ - | \$ - | | | | 6 |

See Notes to the Special Purpose Financial Statement

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Contract No. 72030618C00011
For the Period of August 1, 2021 through May 31, 2023

Notes to the Special Purpose Financial Statement¹

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the Statement) includes revenues received and costs billed under the United States Agency for International Development (USAID)-funded Contract No. 72030618C000111 for costs incurred in Afghanistan under the Afghanistan Value Chains – Livestock activity (herein referred to as “AVC-Livestock” or “activity”) for the period August 1, 2021 through May 31, 2023. Because the Statement presents only a selected portion of the operations of DAI Global LLC (DAI), it is not intended to and does not present the financial position, changes in net assets, or cash flows of DAI. The information in the Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction, accounting principles generally accepted in the United States of America, and is specific to the aforementioned contract.

Note 2. Basis of Accounting

DAI’s understanding is that the audit is focused on ensuring that claims billed meet the compliance requirements in that they are allowable, allocable, and reasonable. Therefore, the Statement presented is based on costs billed to the client under the cost reimbursable contract during/for the period under audit. Allowable costs will be limited to reasonable, allocable, and necessary costs determined in accordance with the Federal Acquisition Regulation (FAR) 52.216-7, Allowable and Payment, FAR 52.216-8, Fixed Fee, and the USAID Acquisition Regulation (AIDAR) 752.7003, Documentation for Payment.

Notes 3. Foreign Currency Conversion Method

For purposes of preparing the Statement, translations from local currency to United States dollars were prepared in accordance with DAI’s exchange rate policy. To record financial transactions, DAI uses the exchange rate of the authorized bank or financial institution effecting the conversion of United States dollars to local currency for in-country purchases. This foreign currency exchange rate remains in effect until another currency conversion is required.

Note 4. Revenues

Revenues on the Statement represent fixed fee plus the amount of funds to which DAI is entitled to receive from USAID Afghanistan for allowable, eligible costs billed under the contract during the audit period.

The fixed fee payable under this contract will be tied to the completion of the results and deliverables specified in Section B.8 of the contract and in accordance with the fixed fee payment schedule as proposed and agreed upon.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of DAI Global, LLC.

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Note 5. Costs Incurred by Budget Category

The budget categories presented, and associated amounts reflect the budget line items within the final USAID approved budget under Contract No. 72030618C00011. Actual expenditures matched the approved budget categories for the contract. The budget amount covers an initial three-year base plus a two-year option period of the award.

Note 6. Balance

The balance presented on the Statement represents the difference between revenues earned and costs billed such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs billed or charged to the contract and an amount less than \$0 would indicate that costs have been billed, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

Note 7. Currency

All amounts presented are shown in United States dollars.

Note 8. Activity Status

The AVC-Livestock Contract No. 72030618C00011 remains active to date. The three-year base period plus the two-year option period has been extended an additional two years, exercised via Modification 13 signed on June 7, 2023, and is scheduled to conclude on June 8, 2025.

Note 9. Cost Sharing

The AVC-Livestock contract did not require any cost-sharing during the period under audit.

Note 10. Other

The United States was withdrawing all troops from Afghanistan and the Government of the Islamic Republic of Afghanistan collapsed on August 15, 2021. AVC-Livestock expatriate and third-country national staff evacuated Afghanistan on August 15th – 16th, 2021. Given the security conditions in Afghanistan and reduced staffing and capability, AVC-Livestock's ability to implement programming was affected.

Note 11. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the August 1, 2021 through May 31, 2023 period covered by the Statement. Management has performed their analysis through January 18, 2024, the date on which the Statement was available to be issued.

**Independent Auditor’s Report on Internal Control over Financial Reporting Based on an
Audit of the Special Purpose Financial Statement Performed in Accordance with
*Government Auditing Standards***

To the Board of Directors and Management of DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, MD 20814

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 (the Statement) prepared by DAI Global, LLC (DAI) under Contract No. 72030618C00011 to support the Afghanistan Value Chains – Livestock activity, for the period of August 1, 2021 through May 31, 2023, and related notes to the Statement, and have issued our report thereon dated January 18, 2024 with an unmodified opinion. We conducted our audit in accordance with U.S. generally accepted government auditing standards.

In connection with our audit of the Statement, we considered DAI’s internal control over financial reporting, consistent with our auditor’s responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of DAI’s internal control over financial reporting. Given these limitations, during our audit of the Statement, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our audit of the Statement, we identified two deficiencies in internal control for the period of August 1, 2021 through May 31, 2023 that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant DAI management’s attention. We have communicated these matters to DAI management, which are described in the accompanying **Schedule of Findings and Questioned Costs** as Finding Numbers 2023-01 and 2023-02.

DAI’s Responses to Findings

DAI’s responses to the findings identified in our audit are included verbatim in **Appendix A** within this report. DAI’s responses were not subjected to the auditing procedures applied in the audit of the Statement, and accordingly, we express no opinion on it.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to DAI's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

DAI management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of the Statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of DAI's Statement for the period of August 1, 2021 through May 31, 2023, in accordance with U.S. generally accepted government auditing standards, we considered DAI's internal control relevant to the Statement audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DAI's internal control over financial reporting. Accordingly, we do not express an opinion on DAI's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of the special purpose financial statement in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the Statement.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of DAI's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of DAI's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

This report is intended for the information of DAI Global, LLC, the United States Agency for International Development, and the Office of the Special Inspector General for Afghanistan

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

Castro & Company, LLC

Alexandria, VA
January 18, 2024

**Independent Auditor’s Report on Compliance Based on an Audit of the Special Purpose
Financial Statement Performed in Accordance with *Government Auditing Standards***

To the Board of Directors and Management of DAI Global, LLC
7600 Wisconsin Avenue, Suite 200
Bethesda, MD 20814

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 (the Statement) prepared by DAI Global, LLC (DAI) under Contract No. 72030618C00011 to support the Afghanistan Value Chains – Livestock activity, for the period of August 1, 2021 through May 31, 2023, and related notes to the Statement, and have issued our report thereon dated January 18, 2024 with an unmodified opinion. We conducted our audit in accordance with U.S. generally accepted government auditing standards.

In connection with our audit of DAI’s Statement, we tested compliance with selected provisions of applicable laws, regulations, and contracts consistent with our auditor’s responsibilities discussed below.

Results of Our Tests of Compliance with Laws, Regulations, and Contracts

Our tests of compliance with certain provisions of laws, regulations, and the contract disclosed two instances of noncompliance for the period of August 1, 2021 through May 31, 2023 that would be reportable under U.S. generally accepted government auditing standards which are described in the accompanying **Schedule of Findings and Questioned Costs** as Findings 2023-01 and 2023-02. However, the objective of our test was not to provide an opinion on compliance with those provisions applicable to DAI. Accordingly, we do not express such an opinion.

DAI’s Responses to Findings

DAI’s responses to the findings identified in our audit are included verbatim in **Appendix A** within this report. DAI’s responses were not subjected to the auditing procedures applied in the audit of the Statement, and accordingly, we express no opinion on it.

Basis for Results of Our Tests for Compliance with Laws, Regulations, and Contracts

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, and Contracts

DAI management is responsible for complying with Federal rules, laws, regulations, and the terms and conditions applicable to the contract.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, and Contracts

Our responsibility is to test compliance with selected provisions of laws, regulations, and contracts applicable to DAI that have a direct effect on the determination of material amounts and disclosures in DAI's Statement, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, and contracts applicable to DAI. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, and Contracts

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts, 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 U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, and contracts is not suitable for any other purpose.

This report is intended for the information of DAI Global, LLC, the United States Agency for International Development, and the Office of the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Castro & Company, LLC

Alexandria, VA
January 18, 2024

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00011
For the Period of August 1, 2021 through May 31, 2023

Schedule I – Schedule of Findings and Questioned Costs

Finding 2023-01: Inaccurate and Insufficient Property Records (Internal Control – Deficiency and Noncompliance)

Condition: DAI Global, LLC (DAI) did not maintain sufficient and accurate property records in accordance with DAI’s Field Manual and the Federal Acquisition Regulation (FAR) requirements. Of the 1,248 total inventory items reported for DAI’s Afghanistan Value Chains – Livestock activity (herein referred to as “AVC-Livestock” or “activity”), we noted the following:

- 177 items without a unit acquisition cost;
- 57 items without an acquisition date;
- 25 items with a location stating “lost/stolen” but labeled as “Not Yet Disposed;” and
- 8 items with a location stating “disposed” but labeled as “Not Yet Disposed.”

In addition, we noted the property record did not include information related to the posting reference and date of transaction as required by the FAR.

Furthermore, we examined supporting documentation for 30 inventory items included on the property record. Exceptions were noted for 10 of the 30 inventory items sampled for inaccurate or insufficient property record information or supporting documentation as detailed below:

| Sample Number | DAI Code Number | Inaccurate Information | Insufficient Information | Insufficient Documentation |
|---------------|-----------------------|---|------------------------------|--|
| 8 | AVC-Livestock 0001324 | | | Unable to verify unit acquisition cost |
| 9 | AVC-Livestock 0001325 | Vehicle plate number | | Unable to verify unit acquisition cost |
| 10 | AVC-Livestock 0001326 | | | Unable to verify unit acquisition cost |
| 11 | AVC-Livestock 0001327 | | | Unable to verify unit acquisition cost |
| 19 | AVC-Livestock 0002878 | Serial Number | Location; Vehicle Model | |
| 20 | AVC-Livestock 0002879 | Serial Number | | |
| 21 | AVC-Livestock 0002880 | | Serial Number; Vehicle Model | Unable to verify unit acquisition cost |
| 26 | AVC-Livestock 0002919 | Acquisition Date | | |
| 27 | AVC-Livestock 0003037 | Acquisition Cost; Acquisition Date; Location; Vehicle Model; Vehicle plate number | | |
| 28 | AVC-Livestock 0003038 | Acquisition Cost; Acquisition Date; Location; Vehicle Model; Vehicle plate number | | |

Criteria:

FAR 52.245-1(f)(1)(iii), *Records of Government Property*, states in part:

“The Contractor shall create and maintain records of all Government property accountable to the contract, including Government furnished and contractor acquired property.

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- (A) Property records shall enable a complete, current, auditable record of all transactions and shall, unless otherwise approved by the Property Administrator, contain the following:
- (1) The name, part number and description, National Stock Number (if needed for additional item identification tracking and/or disposition), and other data elements as necessary and required in accordance with the terms and conditions of the contract.
 - (2) Quantity received (or fabricated), issued, and balance-on-hand.
 - (3) Unit acquisition cost.
 - (4) Unique-item identifier or equivalent (if available and necessary for individual item tracking).
 - (5) Unit of measure.
 - (6) Accountable contract number or equivalent code designation.
 - (7) Location.
 - (8) Disposition.
 - (9) Posting reference and date of transaction.
 - (10) Date placed in service (if required in accordance with the terms and conditions of the contract)..."

DAI's Field Manual Procedure 9.6: *Inventory Management*, states in part:

Section 2. Roles, and Responsibilities:

"2.6. The Finance Manager or Deputy Chief of Party (DCOP) is responsible for ensuring compliance to this procedure, that all staff are trained on this procedure and supporting instructions, and ensuring equipment is adequately insured."

Section 3. Process: Action: Managing Inventory,

"10. Add all items purchased or received from the client or other projects to the Technical and Administrative Management Information System (TAMIS) inventory module (this includes items purchased for use of grantees or other beneficiaries). This should include all non-expendable and expendable items, as well as any consumable items (Office supplies or computer supplies) that the project has determined to track on the inventory. The inventory record shall include at a minimum:

- Office in which the item is located
- Type of good (Furniture, Equipment, Vehicle, etc.)
- Category of good (Non-Expendable, Expendable or Consumable)
- A general description of the item (laptop, desktop, chair, etc.)
- The Manufacturer and Make
- A Serial number for all equipment (mandatory for all equipment)
- Inventory Number
- Purchase or acquisition date
- Vendor Name
- Whether item was provided to or purchased by a grantee or other recipient.
- Detailed location of item (i.e., where to find it)
- Responsible person
- Purchase Order # or Requisition # (both DAI/Washington and Local procurement)

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- Current condition of the item
- Unit or purchase price (Can be entered in local currency, but must be stated in dollars when reporting to the client)
- Disposal Summary (returned to the client, transferred to host country government, transfer to another client -funded project, other disposition/transfer, or thrown out)
- Recipient Organization, if disposed of
- Disposal date.”

Cause: DAI’s internal controls were not adequate to ensure DAI maintained the property record and sufficient documentation with complete and accurate information required by DAI’s policies and procedures and the FAR.

Effect: Inventories submitted by DAI may be utilized by the Government to help track federally owned assets. Errors in the inventories may result in the Government relying on inaccurate information.

Questioned Costs: None. DAI did not maintain the property record in accordance with Federal regulations; however, we did not note any exceptions for non-expendable equipment purchased and billed to the United States Agency for International Development (USAID). As a result, no costs were questioned.

Recommendations: We recommend DAI:

1. Improve procedures for maintaining property records in accordance with the FAR to ensure property record-keeping accurately reflects all required elements for inventory items in DAI’s system.
2. Improve procedures to ensure property records are accurate via periodic review of records and supporting documentation.
3. Update/improve policies and procedures to ensure documentation to support original purchase of property is maintained for items disposed from another project or purchased by DAI/Washington to satisfy FAR requirements for complete, current, and auditable property records.

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Finding 2023-02: Untimely and Insufficient Proof of Submission of Quarterly Financial Reports and Annual Property Reports (Internal Control – Deficiency and Noncompliance)

Condition: As part of our compliance testing, we reviewed eight quarterly financial reports submitted by DAI to USAID. We noted three reports were not submitted in a timely manner in accordance with the contract deliverable due dates as noted in the table below. In addition, we were unable to verify whether the Annual Property Report for Fiscal Years (FY) 2021 and 2022 were submitted in a timely manner as they were not made available for review.

| Reporting Deliverable | Due Date | Date Submitted | Days Late |
|--|-----------|----------------|-----------|
| Quarterly Financial Report – FY 2021 Quarter 3 | 7/15/2021 | 10/15/2021 | 92 |
| Quarterly Financial Report – FY 2022 Quarter 3 | 7/15/2022 | 7/22/2022 | 7 |
| Quarterly Financial Report – FY 2023 Quarter 1 | 1/15/2023 | 1/27/2023 | 12 |
| FY 2021 Annual Property Report | 8/30/2021 | Not Provided | |
| FY 2022 Annual Property Report | 8/30/2022 | Not Provided | |

Criteria:

Contract No. 72030618C00011, *Part I – The Schedule, Section F: Deliveries or Performance, F.4 Plans and Reports, C. Reporting Matrix*, states in part:

“Following is a summary of the list of the required reports specified in the contract that must be submitted electronically to the Approver identified herein (see table below) by the established due dates...”

| NN | Type of Report | Due Date | Approver |
|----|-----------------------------|---|----------|
| 16 | Quarterly Financial Reports | Within 15 calendar days of the end of each USAID fiscal quarter | COR |

Contract No. 72030618C00011, Modification P00001 provides for the following reporting change in part:

| NN | Type of Report | Due Date | Approver |
|----|------------------------|---------------------|----------|
| 25 | Annual Property Report | August 30, annually | CO |

Cause: DAI did not have adequate controls in place to ensure quarterly financial reports were submitted to USAID by the dates specified in the contract or to notify USAID in advance to request and receive an extension. In addition, DAI noted that the FY 2023 Quarter 1 Financial Report was impacted by a company reorganization and the affected report was missed during the transition period. Finally, DAI did not provide Annual Property Reports and submission correspondence for FY 2021 and FY 2022.

Effect: USAID may be unable to fully monitor DAI’s financial progress under the contract and accurately report financial and property information for active projects in a timely manner to outside stakeholders including regulatory entities.

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Questioned Costs: None. This finding related to DAI's compliance with contract reporting requirements which did not include costs incurred under the award.

Recommendation: We recommend DAI:

1. Implement procedures and corresponding controls to monitor the submission of deliverables and internal reviews to ensure compliance with contractual deliverables and deadlines or to notify USAID in advance to request extensions, and approval, for contract deliverable submissions.

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Contract No. 72030619C00008
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Schedule II – Summary Schedule of Prior Audit, Review, and Assessment of Findings

Castro reviewed 15 prior audits, reviews, or assessment reports. Eleven of the reports contained findings and recommendations. We assessed the findings to ascertain whether the matters reported in the findings were direct and material to the Special Purpose Financial Statement (the Statement) or other financial information significant to the audit objectives. In addition, we reviewed the auditors' comments regarding the status of prior audit findings.

The reports reviewed by Castro are listed below:

1. SIGAR Audit No. 22-32 USAID's Afghanistan Value Chains – Livestock Activity: Audit of Costs Incurred by DAI Global LLC
2. SIGAR Audit No. 22-31 USAID's Afghanistan Value Chains – High Value Crops Activity: Audit of Costs Incurred by DAI Global LLC
3. SIGAR Audit No. 22-13 USAID's Afghanistan Competitiveness of Export-Oriented Business Activity: Audit of Costs Incurred by DAI Global, LLC
4. SIGAR Audit No. 22-10 USAID's Regional Agricultural Development Program – East in Afghanistan: Audit of Costs Incurred by DAI Global, LLC
5. SIGAR Audit No. 22-09 USAID's Women in the Economy Program in Afghanistan: Audit of Costs Incurred by DAI Global, LLC
6. SIGAR Audit No. 22-07 USAID's Musharikat Program to Increase Afghan Women's Equality and Empowerment: Audit of Costs Incurred by DAI Global, LLC
7. SIGAR Audit No. 21-13 USAID's Strong Hubs for Afghan Hope and Resilience Program: Audit of Costs Incurred by DAI Global, LLC
8. SIGAR Audit No. 20-16 USAID's Women in the Economy Project: Audit of Costs Incurred by DAI Global, LLC
9. SIGAR Audit No. 20-14 USAID's Assistance to the Legislative Bodies of Afghanistan Project: Audit of Costs Incurred by DAI Global, LLC
10. SIGAR Audit No. 19-42 USAID's Strong Hubs for Afghan Hope and Resilience: Audit of Costs Incurred by DAI Global, LLC
11. SIGAR Audit No. 19-41 USAID's Regional Agricultural Development Program in Northern Afghanistan: Audit of Costs Incurred by DAI Global, LLC
12. SIGAR Audit No. 18-61 USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc.
13. SIGAR Audit No. 18-05 Department of Defense Task Force for Business and Stability Operations' Afghanistan Indigenous Industries Program: Audit of Costs Incurred by DAI Global, LLC
14. USAID Closeout and Financial Audits of Schedule of Costs Incurred in Afghanistan by Development Alternatives Inc. under Contract No. 306-72030618C00011, 306-AID-306-BC-15-00005, 306-AID-306-C-14-00004, 306-AID-306-C-16-00011, 306-AID-306-TO-15-00073, and 306-AID-306-TO-15-00062 for the periods of December 1, 2018 to November 30, 2019, December 1, 2018 to June 30, 2019, December 1, 2018 to May 20,

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2019, December 1, 2018 to November 30, 2019, December 1, 2018 to November 30, 2019, and December 1, 2018 to November 30, 2019, respectively.

15. USAID Financial Audits of Costs Incurred under Contracts Nos. 306-AID-OAA-C-17-00090, 306-AID-306-C-14-00002, 306-AID-306-TO-15-00062, 306-AID-306-C-14-00016, 306-AID-306-TO-15-00073, 306-AID-306-C-16-00011, 306-AID-306-BC-15-0005, 306-72030618C00011, and 306-72030618C00013 for the periods of September 28, 2017 to November 30, 2018, January 1, 2018 to November 30, 2018, July 1, 2018 to November 30, 2018, December 1, 2017 to November 30, 2018, January 1, 2018 to November 30, 2018, January 1, 2018 to November 30, 2018, January 1, 2018 to November 30, 2018, June 6, 2018 to November 30, 2018, and August 2, 2018 to November 30, 2018, respectively.

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

SIGAR 22-32 Financial Audit: USAID’s Afghanistan Value Chains – Livestock Activity: Audit of Costs Incurred (April 12, 2022)

Finding 2022-01: Three of 11 property records examined included acquisition costs that were incorrectly recorded in the United States dollar (USD) in error as the amount recorded represented Afghani (AFN) unit purchase price that had not been covered to USD.

Status: During our testing of DAI’s inventory listing of government property, we noted that DAI’s property records were not maintained in accordance with the Federal requirements as several inventory items were missing the Federally required information. See **Schedule I – Schedule of Findings and Questioned Costs**, Finding 2023-01. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00011 during the period of August 1, 2021 through May 31, 2023.

Finding 2022-02: Three of the seven quarterly reports were not submitted in a timely manner in accordance with the contract deliverable due dates.

Status: During our testing of DAI’s reporting compliance, we noted three instances where DAI did not timely submit the Quarterly Financial Reports. See **Schedule I – Schedule of Findings and Questioned Costs**, Finding 2023-02. Further, DAI was unable to provide support to show evidence of submission for two Annual Property Reports. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00011 during the period of August 1, 2021 through May 31, 2023.

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SIGAR 22-31 Financial Audit: USAID’s Afghanistan Value Chains – High Value Crops Activity: Audit of Costs Incurred (April 12, 2022)

Finding 2022-01: Two of seven reports were not submitted in a timely manner in accordance with the contract deliverable due dates.

Status: During our testing of DAI’s reporting compliance, we noted three instances where DAI did not timely submit the Quarterly Financial Reports. See **Schedule I – Schedule of Findings and Questioned Costs**, Finding 2023-02. Further, DAI was unable to provide support to show evidence of submission for two Annual Property Reports. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00011 during the period of August 1, 2021 through May 31, 2023.

SIGAR 22-09 Financial Audit: USAID’s Women in the Economy Program in Afghanistan: Audit of Costs Incurred (August 27, 2021)

Finding 2020-02: DAI did not maintain accurate property records in accordance with Federal requirements. 112 out of the 384 non-expendable property items were missing the date placed in service and 1,116 out of 2,221 expendable property items were missing the date placed in service.

Status: During our testing of DAI’s inventory listing of government property, we noted that DAI’s property records were not maintained in accordance with the Federal requirements as several inventory items were missing the Federally required information. See **Schedule I – Schedule of Findings and Questioned Costs**, Finding 2023-01. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00011 during the period of August 1, 2021 through May 31, 2023.

SIGAR Financial Audit No. 22-07: USAID’s Musharikat Program to Increase Afghan Women’s Equality and Empowerment: Audit of Costs Incurred (dated August 16, 2021)

Finding 2020-02: DAI did not maintain accurate property records in accordance with Federal requirements. Two property items were classified as both expendable and non-expendable on Inventory Reports and equipment items had unit acquisition costs that did not agree with the inventory report provided for audit.

Status: During our testing of DAI’s inventory listing of government property, we noted that DAI’s property records were not maintained in accordance with the Federal requirements as several inventory items were missing the Federally required information. See **Schedule I – Schedule of Findings and Questioned Costs**, Finding 2023-01. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00011 during the period of August 1, 2021 through May 31, 2023.

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United States Agency for International Development (USAID)/Afghanistan
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Appendix A – DAI Global, LLC’s Responses to the Audit Findings



10 April 2024

Castro & Company, LLC 1635 King Street

Alexandria, VA 22314

Subject:

DAI/AVC-Livestock Project Management Responses to SIGAR Audit F-279

To Whom It May Concern:

We are providing these management responses in connection with the report from the financial audit of the Special Purpose Financial Statement (the Statement) applicable to DAI Global, LLC’s (DAI) Contract No. 72030618C00011 with the United States Agency for International Development (USAID) for the activity entitled Afghanistan Value Chains-Livestock Activity (herein referred to as “AVC-L” or “activity”) for the period August 1, 2021 through May 31, 2023. DAI appreciates the opportunity to provide additional context and justification to the reported findings.

Finding 2023-01: Inaccurate and Insufficient Property Records (Internal Control – Deficiency and Noncompliance)

Condition: DAI Global, LLC (DAI) did not maintain sufficient and accurate property records in accordance with DAI’s Field Manual and the Federal Acquisition Regulation (FAR) requirements.

AVC-Livestock Response:

We do not concur with the conclusions of finding 2023-01. While item acquisition cost and item location are required property report information per FAR 52.245-1 Government Property, we do not agree that the other exceptions cited by the Auditor constitute material noncompliance and a reportable audit finding. For each listed exception, AVC-Livestock provided the requested information when prompted to do so by the Auditor. These minor errors are limited to AVC-Livestock’s internal inventory reporting and did not affect financial records nor billings to USAID. DAI strives for excellence in all operating processes. We will conduct a training for relevant staff to reiterate the required process for inventory reconciliation and will clearly delineate roles and responsibilities for each step in the process.

We do not concur with the Auditor’s observation regarding non-expendable property (NXP) lacking acquisition cost information. Per FAR 52.245-1 Government Property:

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SIGAR Audit S-279 – Afghanistan Value Chains-Livestock, Management Responses

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Unit acquisition cost means-

(1) For Government-furnished property, the dollar value assigned by the Government and identified in the contract; and

(2) For contractor-acquired property, the cost derived from the Contractor's records that reflect consistently applied generally accepted accounting principles.

As explained during fieldwork and the exit conference, AVC-Livestock's inventory includes multiple NXP items that were disposed to the AVC-Livestock from other USAID contracts. These items were not procured under AVC-Livestock and no purchase amount was charged to the AVC-Livestock contract. AVC-Livestock has no basis for assigning an acquisition cost to these items. DAI's policy in such a scenario is to not include an acquisition cost as it would constitute a misrepresentation in our property reports to USAID (inflating total acquisition costs for the program). Therefore, the "acquisition cost" of these items is equal to and documented as zero. We deem our approach to be correct and will continue to implement it unless instructed otherwise by USAID.

Finding 2023-02: Untimely and Insufficient Proof of Submission of Quarterly Financial Reports and Annual Property Reports (Internal Control – Deficiency and Noncompliance)

Condition: As part of our compliance testing, we reviewed eight quarterly financial reports submitted by DAI to USAID. We noted three reports were not submitted in a timely manner in accordance with the contract deliverable due dates as noted in the table below. In addition, we were unable to verify whether the Annual Property Report for Fiscal Years (FY) 2021 and 2022 were submitted in a timely manner as they were not made available for review.

AVC-Livestock Response:

DAI acknowledges the lateness in the submission of the three quarterly financial reports. The due date for the Financial Report for Q3 of FY2021 was extended due to the imminent collapse of the Afghan government and the resulting compromised security situation in Kabul. On September 8, 2021, USAID shared an email titled "Guidance to USAID/Afghanistan Implementing Partners on Administrative Approvals." This email under point 5 stated that "Contractors and recipients may delay submission of financial, performance, and other reports for up to three months beyond the normal due date, in accordance with the reporting terms and conditions of your award." The other two Quarterly Financial Reports were delayed due to staff turnover during this turbulent period.

AVC-Livestock continued to compile and submit reports to USAID on property lost during the government collapse. Annual Property Reports for 2021 and 2022, however, were erroneously omitted. AVC-Livestock submitted the Annual Property Report for 2023 on January 24, 2024.

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Financial Audit of Costs Incurred
Contract No. 72030619C00008
For the Period of February 1, 2021 through June 30, 2023

SIGAR Audit S-279 – Afghanistan Value Chains-Livestock, Management Responses

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DAI currently ensures that a contract deliverable calendar is actively monitored by senior management and is included in the agenda for weekly home office/field office calls to confirm prompt preparation and submission. Furthermore, AVCP (current name of the AVC-Livestock contract), solidifies this oversight through calendar reminders for all future contractual deliverables for field-based and home office-based team members to ensure compliance with submission date requirements. Timely submission of contractual reports continues to be a focus for DAI/AVCP. For example, it will be covered as part of the AVCP Workplan Workshop to be held in April 2024.

DAI Global, LLC
United States Agency for International Development (USAID)/Afghanistan
Financial Audit of Costs Incurred
Contract No. 72030618C00011
For the Period of August 1, 2021 through May 31, 2023

Appendix B – Auditor’s Rebuttal to DAI Global, LLC’s Responses to the Audit Findings

DAI Global, LLC (DAI) disagreed with Finding 2023-01 and agreed with Finding 2023-02. We have reviewed management’s response for its disagreement and provide the following rebuttal to the disagreement for Finding 2023-01.

Finding 2023-01: Inaccurate and Insufficient Property Records (Internal Control – Deficiency and Noncompliance)

DAI’s response to Finding 2023-01 stated, in part, “For each listed exception, AVC-Livestock [Afghan Value Chains – Livestock activity] provided the requested information when prompted to do so by the Auditor. These minor errors are limited to AVC-Livestock’s internal inventory reporting and did not affect financial records nor billings to USAID [United States Agency for International Development].” Castro & Company, LLC (Castro) agrees that DAI provided the requested information and appreciates DAI’s cooperation during the audit process. However, Castro determined the errors included in the Property Report were pervasive through our sample testing procedures. DAI acknowledged the errors when Castro inquired about the information and stated the errors would be corrected in their internal system.

In addition, DAI’s response to Finding 2023-01 stated, in part, “AVC-Livestock’s inventory includes multiple NXP [non-expendable property] items that were disposed to the AVC-Livestock from other USAID contracts. These items were not procured under AVC-Livestock and no purchase amount was charged to the AVC-Livestock contract. AVC-Livestock has no basis for assigning an acquisition cost to these items. DAI’s policy in such a scenario is to not include an acquisition cost as it would constitute a misrepresentation in our property reports to USAID (inflating total acquisition costs for the program).” Castro agrees multiple items of NXP were disposed to the AVC-Livestock project from other USAID contracts. However, the Federal Acquisition Regulations (FAR) 52.245-1(j)(2)(iv) requires inventory disposal schedules to include the same data elements required under FAR 52.245-1(f)(1)(iii) identified in the criteria section of Finding 2023-01 along with other stipulated additional information. Therefore, had DAI complied with the requirements of FAR, the basis for assigning an acquisition cost would have been included in the inventory disposal schedule from prior USAID contracts. Additionally, FAR 52.245-1(f)(1)(iii) requires DAI to create and maintain records of all Government property accountable to the contract, including Government-furnished and Contractor-acquired property. When property is disposed of from a prior contract, the contract receiving the disposed property becomes accountable for said property. Therefore, all of the data elements required under FAR 52.245-1(f)(1)(iii) would still apply.

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SIGAR's Mission

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