

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 24-38 Financial Audit

USAID's Afghanistan Value Chains–Crops 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.



SEPTEMBER
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On August 2, 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–Crops activity (ACV–High Value Crops). The contract provided support for local anchor firms to reverse market failures, strengthen backward and forward linkages, drive growth, create jobs within high-value horticulture, and increase spices and medicinal crop value chains. The contract included a 3-year base period and a 2-year option period. The period of performance for the 3-year base period was August 2, 2018, through August 1, 2021, and the option period was August 2, 2021, to August 1, 2023. USAID modified the contract 12 times. The modifications did not increase the contract value or extend the contract end date.

SIGAR’s financial audit, performed by Castro & Company LLC (Castro) reviewed \$27,936,849 in costs and fixed fee charged to the contract from August 1, 2021, through August 1, 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.

September 2024

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

SIGAR 24-38-FA

WHAT SIGAR FOUND

Castro identified three deficiencies in DAI’s internal controls and three instances of noncompliance with the terms of the contract or the Federal Acquisition Regulations. For example, Castro reviewed eight quarterly financial reports and two annual property reports. Castro noted that three quarterly financial reports and one annual property report were not submitted to USAID by the due date as specified in the contract. Castro did not question any costs related to the internal control deficiencies or instances of noncompliance.

Castro identified 15 prior audit reports relevant to DAI’s AVC–High Value Crops contract. Of these 15 audit reports, four 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 did not take corrective action on the five prior audit findings and similar issues were 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 three internal control findings.
2. Advise DAI to address the report’s three noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

September 16, 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–Crops activity (AVC–High Value Crops).¹ The goal of the AVC–High Value Crops program was to provide support for local anchor firms to reverse market failures, strengthen backward and forward linkages, drive growth, create jobs within high-value horticulture, and increase spices and medicinal crop value chains. Castro reviewed \$27,936,849 in costs and fixed fee charged to the contract from August 1, 2021, through August 1, 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 the responsible contracting officer at USAID:

- 1. Advise DAI to address the report's three internal control findings.**
- 2. Advise DAI to address the report's three 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 23, 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-280)

¹ The contract number is 72030618C00013.



DAI Global, LLC
Financial Audit of Costs Incurred
For Contract No. 72030618C00013
For the period of August 1, 2021 through August 1, 2023
(With Independent Auditor's Report Thereon)

April 23, 2024

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00013
For the Period of August 1, 2021 through August 1, 2023

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Transmittal Letter

April 23, 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

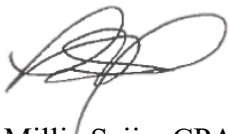
We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during our audit of the Special Purpose Financial Statement (the Statement) applicable to DAI Global, LLC's (DAI) Contract No. 72030618C00013 with the United States Agency for International Development (USAID), funding the Afghanistan Value Chains – High Value Crops activity for the period of August 1, 2021 through August 1, 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 (SIGAR), 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
Financial Audit of Costs Incurred
Contract No. 72030618C00013
For the Period of August 1, 2021 through August 1, 2023

Summary

Background

On August 2, 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. 72030618C00013) to DAI Global, LLC (DAI) for the implementation of the Afghanistan Value Chains – Crops activity (herein referred to as “AVC-High Value Crops” or “activity”). The name of the activity was changed to AVC-High Value Crops in Modification P00001. The purpose of the activity is to support local anchor firms to reverse market failures, strengthen backward and forward linkages, drive growth, create jobs within high-value horticulture, and increase spices and medicinal crop value chains. The 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 \$54,958,859, [REDACTED]. This contract has been modified 12 times and the total estimated costs above did not change with respect to the 12 modifications. This contract ended on August 1, 2023.

The audit’s scope included activity within the period of August 1, 2021 through August 1, 2023, inclusive of closeout procedures. Within the period under audit, DAI reported \$27,936,849 in total revenue, [REDACTED] 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 and closeout audit of DAI’s Special Purpose Financial Statement (the Statement) for costs incurred under Contract No. 72030618C00013 for the period of August 1, 2021 through August 1, 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,

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00013
For the Period of August 1, 2021 through August 1, 2023

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.

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 and closeout audit of costs incurred of DAI's Contract No. 72030618C00013 for the period of August 1, 2021 through August 1, 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;
- Closeout Requirements;
- 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:

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00013
For the Period of August 1, 2021 through August 1, 2023

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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For the Period of August 1, 2021 through August 1, 2023

calculated and charged to the U.S. Government in accordance with the Negotiated Indirect Cost Rate Agreement issued by USAID. Additionally, we performed closeout audit procedures, included, but not limited to, assessing whether cash receipts exceeded revenue earned, final physical inventories were performed, and government property was properly disposed of in accordance with the Government's directives. However, Castro's procedures did not include the establishment of final indirect cost rates.

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. Three deficiencies in internal control were identified. These findings 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 13 and Independent Auditor's Report on Compliance on page 16.

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 four instances of noncompliance related to this audit.

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For the Period of August 1, 2021 through August 1, 2023

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 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	Inadequate Maintenance of Property Records	Internal Control – Deficiency and Noncompliance	\$ -
2023-02	Incomplete Reporting of Government Property at Closeout	Internal Control – Deficiency and Noncompliance	\$ -
2023-03	Untimely Submission of Quarterly Financial Reports and Annual Property Report	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 acknowledged repeated instances of incomplete or inaccurate information in the inventory listing; however, DAI disputed the finding on the basis that the exceptions noted do not constitute material noncompliance and a reportable audit finding.

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00013
For the Period of August 1, 2021 through August 1, 2023

- **Finding 2023-02:** DAI disputed this finding, stating that the items excluded from the closeout property report were items abandoned during the evacuation of Afghanistan in August 2021.
- **Finding 2023-03:** DAI agreed with this finding and noted that timely submission of contractual reports continues to be a focus for AVC-High Value Crops.

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. 72030618C00013 awarded by the United States Agency for International Development to support the Afghanistan Value Chains – High Value Crops activity, for the period of August 1, 2021 through August 1, 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 August 1, 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
February 6, 2024

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00013
For the Period of August 1, 2021 through August 1, 2023

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>		<u>Total</u>	Notes
			<u>Ineligible</u>	<u>Unsupported</u>		
<i>Revenues</i>						
Contract No. 72030618C00013	54,958,859	27,936,849	-	-	-	
Total Revenue	\$ 54,958,860	\$ 27,936,849	\$ -	\$ -	\$ -	1, 2, 4
<i>Costs Incurred</i>						
Labor/Personnel/Salaries	[REDACTED]	[REDACTED]	-	-	-	5
Fringe Benefits	[REDACTED]	[REDACTED]	-	-	-	
Travel, Transportation, and Per Diem	[REDACTED]	[REDACTED]	-	-	-	
Equipment and Supplies	[REDACTED]	[REDACTED]	-	-	-	
Allowances	[REDACTED]	[REDACTED]	-	-	-	
Subcontracts	[REDACTED]	[REDACTED]	-	-	-	
Other Direct Costs	[REDACTED]	[REDACTED]	-	-	-	
Security Costs	[REDACTED] 2	[REDACTED]	-	-	-	
Indirect Costs (Overhead and General & Administrative)	[REDACTED]	[REDACTED]	-	-	-	
Total Costs Incurred	\$ [REDACTED]	\$ [REDACTED]	\$ -	\$ -	\$ -	
Fixed Fee	[REDACTED]	[REDACTED]	-	-	-	
Total Costs-Plus-Fixed-Fee	\$ 54,958,859	\$ 27,936,849	\$ -	\$ -	\$ -	
Outstanding Balance	\$ -	\$ -				6

See Notes to the Special Purpose Financial Statement

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. 72030618C00013 for costs incurred in Afghanistan under the Afghanistan Value Chains – High Value Crops (herein referred to as “AVC-High Value Crops” or “activity”) for the period August 1, 2021 through August 1, 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.

Note 3. Foreign Currency Translation 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.

Note 5. Costs Billed by Budget Category

The budget categories presented, and associated amounts reflect the budget line items within the final USAID approved budget under Contract No. 72030618C00013. Actual expenditures match 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-High Value Crops Contract No. 72030618C00013 concluded on August 1, 2023.

Note 9. Cost Sharing

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

Note 10. Other

The United States ordered to withdraw all troops from Afghanistan by August 31, 2021. Given the security conditions in Afghanistan and reduced staffing and capability, AVC-High Value Crops' 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 August 1, 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. 72030618C00013 to support the Afghanistan Value Chains – High Value Crops activity, for the period of August 1, 2021 through August 1, 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 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 four deficiencies in internal control for the period of August 1, 2021 through August 1, 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, 2023-02, and 2023-03.

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 August 1, 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
February 6, 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. 72030618C00013 to support the Afghanistan Value Chains – High Value Crops activity, for the period of August 1, 2021 through August 1, 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 four instances of noncompliance for the period of August 1, 2021 through August 1, 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, 2023-02, and 2023-03. 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
February 6, 2024

DAI Global, LLC
United States Agency for International Development (USAID)/Afghanistan
Financial Audit of Costs Incurred
Contract No. 72030618C00013
For the Period of August 1, 2021 through August 1, 2023

Schedule I – Schedule of Findings and Questioned Costs

Finding 2023-01: Inadequate Maintenance of Property Records (Internal Control – Deficiency and Noncompliance)

Condition: DAI did not maintain adequate property records in accordance with Federal requirements. Of the 1,373 total inventory items reported on DAI’s Disposition and Closeout Plan for Afghanistan Value Chains – High Value Crops activity (herein referred to as “AVC-High Value Crops” or “activity”), we noted 49 inventory items without the Federally required information, including the following (some items were missing multiple information elements):

- 15 items without a unit acquisition cost;
- 3 items without an acquisition date;
- 27 items without a purchase number;
- 4 items without a model;
- 4 items without a serial number;
- 1 item without a manufacturer; and
- 15 items without a vendor.

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.

(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)...

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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)
- 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 lack of internal control caused the inventory record to contain incomplete information.

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.

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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: Incomplete Reporting of Government Property at Closeout (Internal Control – Deficiency and Noncompliance)

Condition: As part of our procedures to evaluate DAI’s compliance with the contract closeout process, we obtained and inspected DAI’s Disposition and Closeout Plan – Annex A (herein referred to as “closeout property record”) to determine whether DAI had submitted an accurate and complete record of government property being disposed from the AVC-High Value Crops project. We noted the closeout property record excluded 60 items of non-expendable property that was previously reported to USAID. DAI was not able to provide lost property records for the excluded items, which resulted in Castro concluding the Disposition and Closeout Plan was incomplete by not accounting for all government property on record.

Criteria:

FAR 52.245-1, *Government Property*, states in part:

“(f)(1)(vi) *Reports*. The Contractor shall have a process to create and provide reports of discrepancies, loss of Government property, physical inventory results, audits and self-assessments, corrective actions, and other property-related reports as directed by the Contracting Officer.”

“(f)(1)(x) *Property closeout*. The Contractor shall promptly perform and report to the Property Administrator contract property closeout, to include reporting, investigating and securing closure of all loss of Government property cases; physically inventorying all property upon termination or completion of this contract; and disposing of items at the time they are determined to be excess to contractual needs.”

“(f)(2) The Contractor shall establish and maintain Government accounting source data, as may be required by this contract, particularly in the areas of recognition of acquisitions, loss of Government property, and disposition of material and equipment.”

“(j)(2) *Inventory disposal schedules*...

(iv) The Contractor shall provide the information required by FAR 52.245-1(f)(1)(iii) along with the following:

(A) Any additional information that may facilitate understanding of the property’s intended use...”

Cause: DAI did not have adequate procedures and controls in place to ensure the Disposition and Closeout Plan accounted for all government property.

Effect: USAID may be unable to fully account for and track government property for which DAI is responsible.

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Questioned Costs: None. This finding relates to DAI's compliance with the contract closeout process related to the disposition of government property, which did not include cost incurred. As a result, no costs were questioned.

Recommendation: We recommend DAI:

1. Improve policies and procedures related to contract closeout to ensure property disposition reports submitted to USAID are accurate and complete and account for all non-expendable property items previously reported.

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Finding 2023-03: Untimely Submission of Quarterly Financial Reports and Annual Property Report (Internal Control – Deficiency and Noncompliance)

Condition: As part of our compliance testing, we reviewed eight quarterly financial reports and two annual property reports submitted by DAI to USAID. We noted three quarterly financial reports, and one annual property report were not submitted in a timely manner in accordance with the contract deliverable due dates as noted below.

Reporting Deliverable	Due Date	Date Submitted	Days Late
Quarterly Financial Reports – Fiscal Year (FY) 2022 Quarter 3	7/15/2022	7/20/2022	5
Quarterly Financial Reports – FY 2023 Quarter 1	1/15/2023	1/30/2023	15
Quarterly Financial Reports – FY 2023 Quarter 3	7/15/2023	7/27/2023	12
FY 2022 Annual Property Report	8/30/2022	6/15/2023	289

Criteria:

Contract No. 72030618C00013, *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
25	Annual Property Report	August 30, annually	CO

Cause: DAI did not have adequate controls in place to ensure the quarterly financial reports and the annual property report 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.

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.

Questioned Costs: None. This finding was 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

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deadlines or to notify USAID in advance to request extensions, and approval, for contract deliverable submissions.

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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 (dated 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 converted 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 and Finding 2023-02. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00013 during the period of August 1, 2021 through August 1, 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 four instances where DAI did not timely submit Quarterly Financial Reports and an Annual Property Report. See **Schedule I – Schedule of Findings and Questioned Costs**, Finding 2023-03. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00013 during the period of August 1, 2021 through August 1, 2023.

SIGAR 22-31 Financial Audit: USAID’s Afghanistan Value Chains – High Value Crops Activity: Audit of Costs Incurred (dated 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.

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Status: During our testing of DAI’s reporting compliance, we noted four instances where DAI did not timely submit Quarterly Financial Reports and an Annual Property Report. See **Schedule I – Schedule of Findings and Questioned Costs**, Finding 2023-03. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00013 during the period of August 1, 2021 through August 1, 2023.

SIGAR 22-09 Financial Audit: USAID’s Women in the Economy Program in Afghanistan: Audit of Costs Incurred (dated 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 and Finding 2023-02. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00013 during the period of August 1, 2021 through August 1, 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 and Finding 2023-02. As a result, Castro determined similar issues were noted, and this is a repeat condition for DAI related to Contract No. 72030618C00013 during the period of August 1, 2021 through August 1, 2023.

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Appendix A – DAI Global, LLC’s Responses to the Audit Findings



6 February 2024

Castro & Company, LLC 1635 King Street

Alexandria, VA 22314

Subject:
DAI/AVC-Crops Project Management Responses to SIGAR Audit F-280

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 Contract No. 72030618C00013 with the United States Agency for International Development (USAID) for the activity entitled Afghanistan Value Chains-High Value Crops Activity for the period August 1, 2021 through August 1, 2023. DAI appreciates the opportunity to provide additional context and justification to the reported findings.

Finding 2023-01: Inadequate Maintenance of Property Records (Internal Control – Deficiency and Noncompliance)

Condition: DAI did not maintain adequate property records in accordance with Federal requirements. Of the 1,373 total inventory items reported on DAI’s Disposition and Closeout Plan for Afghanistan Value Chains – High Value Crops activity (herein referred to as “AVC-High Value Crops” or “activity”), we noted 49 inventory records without the Federally required information, some with multiple inaccuracies.

AVC-Crops Response:

DAI partially concurs with finding 2023-01. We acknowledge repeated instances of incomplete or inaccurate information in our inventory listing. However, we do not concur that the exceptions cited by the Auditor constitute material noncompliance and a reportable audit finding.

For each listed exception, AVC-Crops was able to provide accurate and complete information when prompted to do so by the Auditor. Minor errors were limited to AVC-Crops internal inventory reporting and did not affect financial records nor billings to USAID. At project closedown, all available non-expendable property was returned to the Client or their designee.

7600 Wisconsin Avenue, Suite 200
Bethesda, Maryland, 20814 USA
T +1 301 771 7600

www.dai.com
f t in @daiglobal

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SIGAR Audit S-280 – Afghanistan Value Chains-Crops, Management Responses

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DAI strives for excellence in all operating processes. We will conduct a debriefing for relevant staff to reiterate the required process for inventory reconciliation and will clearly delineate roles and responsibilities for each step in the process.

Finding 2023-02: Incomplete Reporting of Government Property at Closeout (Internal Control – Deficiency and Noncompliance)

Condition: As part of our procedures to evaluate DAI's compliance with the contract closeout process, we obtained and inspected DAI's Disposition and Closeout Plan – Annex A (herein referred to as "closeout property record") to determine whether DAI had submitted an accurate and complete record of government property being disposed from the AVC-High Value Crops project. We noted the closeout property record excluded 60 items of non-expendable property that was previously reported to USAID. DAI was not able to provide lost property records for the excluded items, which resulted in Castro concluding the Disposition and Closeout Plan was incomplete by not accounting for all government property on record.

AVC-Crops Response:

DAI does not concur with this finding. Due to the evacuation that occurred in August 2021 during the fall of the GoIRA, a significant amount of project equipment was lost. As such, the "AVC-CROPS Project Non-Expendable Property Report" includes property that was lost during this event. DAI submitted reports on September 22, 2022 and February 7, 2023 that properly reported the loss of these items to USAID. Given that DAI was forced to abandon the items under extenuating circumstances outside of our control, they were not included in any subsequent report, including Annex A – Inventory List in the final report. DAI does not agree that such abandoned items should have been included in the disposition report, as this inclusion would have rendered the report inaccurate and not in accordance with DAI discussions with USAID.

Finding 2023-03: Untimely Submission of Quarterly Financial Reports and Annual Property Report (Internal Control – Deficiency and Noncompliance)

Condition: As part of our compliance testing, we reviewed eight quarterly financial reports and two annual property reports submitted by DAI to USAID. We noted three quarterly financial reports, and one annual property report were not submitted in a timely manner in accordance with the contract deliverable due dates.

AVC-Crops Response:

DAI acknowledges the lateness in the submission of the subject reports. We note that the delay in submission of quarterly financial report for Q3 FY2023 was due to the AVC-Crops contract ending that month. It was unclear whether AVC-Crops should submit the quarterly report, or roll up the information in the final project report.

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SIGAR Audit S-280 – Afghanistan Value Chains-Crops, 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. Timely submission of contractual reports continues to be a focus for DAI/AVC-Crops.

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No 72030618C00013
For the Period of August 1, 2021 through August 1, 2023

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

DAI Global, LLC (DAI) disagreed with Findings 2023-01 and 2023-02 and agreed with Finding 2023-03. We have reviewed management’s response for its disagreement and provide the following rebuttal to the disagreement for Findings 2023-01 and 2023-02.

Finding 2023-01: Inadequate Maintenance of Property Records (Internal Control – Deficiency and Noncompliance)

DAI’s response to Finding 2023-01 stated, in part, “For each listed exception, AVC-Crops [Afghanistan Value Chains – High Value Crops activity] was able to provide accurate and complete information when prompted to do so by the Auditor. Minor errors were limited to AVC-Crops 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 were pervasive throughout the Property Report. DAI acknowledged the errors when Castro inquired about the information and stated the errors would be corrected in their internal system.

Finding 2023-02: Incomplete Reporting of Government Property at Closeout (Internal Control – Deficiency and Noncompliance)

DAI’s response to Finding 2023-02 stated, in part, “Given that DAI was forced to abandon the items under extenuating circumstances outside of our control, they were not included in any subsequent report, including Annex A – Inventory List in the final report. DAI does not agree that such abandoned items should have been included in the disposition report, as this inclusion would have rendered the report inaccurate and not in accordance with DAI discussions with USAID.” Castro agrees items abandoned during the evacuation of Afghanistan in August 2021 would not be included on the closeout property report; therefore, as part of our audit procedures, we obtained the lost property report submitted to USAID by DAI to account for items previously reported that had been lost or abandoned. The 60 items noted in Finding 2023-02 were not included in the lost property report for items lost during the evacuation.

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