

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 24-24 Financial Audit**

Department of State's Demining Clearance  
and Surveying Projects throughout Afghanistan:  
Audit of Costs Incurred by Mine Clearance  
Planning Agency



MAY  
2024

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

From 2018 through 2021, the Department of State (State) awarded \$6,206,506 for two grants to Mine Clearance Planning Agency (MCPA) to support various demining activities. The grants' objectives were to increase civilian safety, provide explosive ordnance risk education, collect accurate and reliable data, and create awareness among people in the targeted communities about the threats of explosive remnants of war and mines. State modified both grants six times, which increased the total funding to \$8,308,506 and extend the period of performance from March 31, 2019, through March 15, 2024.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$5,412,258 in costs charged to the grants from March 1, 2021, through October 31, 2023. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in MCPA's internal controls related to the award; (2) identify and report on instances of material noncompliance with the terms of the task order and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether MCPA has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of MCPA's Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

May 2024

## Department of State's Demining Clearance and Surveying Projects throughout Afghanistan: Audit of Costs Incurred by Mine Clearance Planning Agency

SIGAR 24-24-FA

### WHAT SIGAR FOUND

Conrad identified five significant deficiencies in MCPA's internal controls and five instances of noncompliance with the terms of the grants. For example, Conrad found that in nine instances in which MCPA did not provide supporting documentation to show competitive sourcing was performed for multiple vendors, which resulted in unsupported questioned costs. During the testing of salary costs, Conrad found three personnel files with national identification numbers that did not match their employment contracts, but their payroll costs were charged to the program. Furthermore, Conrad noted an instance wherein MCPA did not provide evidence that costs were equitably allocated to multiple programs based on actual costs incurred. Conrad notified MCPA of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$11,886 in total questioned costs. The questioned costs consisted of \$11,306 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—and \$580 in ineligible costs—costs prohibited by the grants and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Personnel	\$0	\$1,702	\$1,702
Travel	\$0	\$1,224	\$1,224
Supplies	\$0	\$5,700	\$5,700
Other Costs	\$0	\$1,652	\$1,652
Other Direct Costs	\$580	\$1,028	\$1,608
<b>Total Costs</b>	<b>\$580</b>	<b>\$11,306</b>	<b>\$11,886</b>

Conrad identified three prior audit reports that were relevant to MCPA's activities. The reports contained 15 findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Conrad conducted follow-up procedures and concluded that MCPA had taken adequate corrective action on 11 of the 15 findings. Conrad noted that the issues associated with the four unaddressed prior findings were repeated under this audit.

Conrad issued an unmodified opinion on MCPA' SPFS, noting it presents fairly, in all material respects, revenues received, and costs incurred for the period audited.

### WHAT SIGAR RECOMMENDS

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

1. Determine the allowability of and recover, as appropriate, \$11,886 in questioned costs identified in the report.
2. Advise MCPA to address the report's five internal control findings.
3. Advise MCPA to address the report's five noncompliance findings.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

May 24, 2024

The Honorable Antony J. Blinken  
Secretary of State

We contracted with Conrad LLP (Conrad) to audit the costs incurred by Mine Clearance Planning Agency (MCPA) under two grants awarded by the Department of State (State) to support various demining activities.<sup>1</sup> The grants' objectives were to increase civilian safety, provide explosive ordnance risk education, collect accurate and reliable data, and create awareness among people in the targeted communities about the threats of explosive remnants of war and mines. Conrad reviewed \$5,412,258 in costs charged to the grants from March 1, 2021, through October 31, 2023. Our contract with Conrad required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$11,886 in questioned costs identified in the report.**
- 2. Advise MCPA to address the report's five internal control findings.**
- 3. Advise MCPA to address the report's five noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on MCPA's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated March 4, 2024, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-283)

<sup>1</sup> The grants numbers are S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020.

**Mine Clearance Planning Agency**

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21GR-3049 and S-PMWRA-18GR-0020  
Two Grants Awarded by the State Department Bureau of Political-Military Affairs, Office  
of Weapons Removal and Abatement (PM/WRA)  
to support Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

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March 4, 2024

Board of Directors  
Mine Clearance Planning Agency  
Kabul, Afghanistan

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

Conrad LLP (Conrad or we) hereby provides to you our final report, which reflects results from the procedures we completed during our audit of Mine Clearance Planning Agency's (MCPA) Special Purpose Financial Statements under Grant Agreements No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020 (Grant Agreements) awarded by the U.S., Department of State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement to support the Clearance of Landmines and Other Explosive Remnants of War Project and the Conducting Non-Technical Survey in 20 Contaminated Districts Identified within 13 Provinces of Afghanistan Project for the period of performance from March 1, 2021 through October 31, 2023.

On January 23, 2024, we provided the Special Inspector General for Afghanistan Reconstruction with a draft report reflecting our audit procedures and results. MCPA received a copy of the report on February 8, 2024 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by the Special Inspector General for Afghanistan Reconstruction and MCPA's responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

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

Sincerely,

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

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

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### Background

Between 2018 and 2021, the U.S. Department of State's (DoS), Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA) awarded two Grant Agreements to the Mine Clearance Planning Agency (MCPA).

The first grant, S-PMWRA-21-GR-3049 (GR-3049) was issued on September 24, 2021, to support the Clearance of Landmines and other Explosive Remnants of War (ERW) project. The objectives of this grant are as follows:

1. Deploy four (4) Manual Demining Teams (68 Personnel) for 23 months; eight (8) Mechanical Demining Units (128 Personnel) for 23 months; and one (1) Field Office (13 Personnel) for 24 months in Kandahar province.
2. Increase civilian safety in three villages (Hawz-e-Madad; Pasab; and Pashmol), Zhari district, Kandahar province by clearing the threats of mines and Explosive Remnants of War (ERW) from sixty-nine (69) hazard areas (20,562,758 m<sup>2</sup>).
3. Provide Explosive Ordnance Risk Education (EORE) to the affected population in target villages:
  - a. Direct Beneficiaries: 1,447 families (10,131 individuals)
  - b. Indirect Beneficiaries: 8,677 families (60,736 individuals)

The second grant, S-PMWRA-18-GR-0020 (GR-0020) was issued on May 14, 2018, to support the Conducting Non-Technical Survey in 20 Contaminated Districts Identified within 13 Provinces of Afghanistan project. The objectives of this project are as follows:

1. Collect up-to-date, accurate, and reliable information about the identified impacted communities, which Directorate of Mine Action Coordination will use for efficient and effective planning of clearance operations leading to optimum decision making in terms of mine action resource allocation.
2. Deploy nine (9) Non-Technical Survey Teams for 12-months to survey a total of 168 impacted communities and 4,200 unknown communities within 20 contaminated districts.
3. Survey all additional communities and villages, currently not identified in the Gazetteer, and recognized during initial meetings with districts administration.
4. Create awareness among people of the targeted communities about the threats of ERW and mines where required, especially within districts experiencing recent conflict.
5. Confirm or deny/cancel the presence and degree of ERW and mine contamination via non-technical survey, and record and document the changes to update the national database.
6. Review available data and collect more relevant and required information about newly identified, impacted areas.
7. Record and report the areas contaminated as a result of recent kinetic operations and other fighting.
8. Record and report spot ERW and any other type of hazard identified.
9. Mark hazard areas when and where accessible to ensure the safety of affected population (indicating threat areas).
10. Update the mines and ERW victim data for women, girls, men, and boys.

The initial award amounts were \$5,706,506 for GR-3049 and \$500,000 for GR-0020, for the period of performance from November 1, 2021, through October 31, 2023, and May 14, 2018, through March 31,

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

2019, respectively. Five (5) modifications were made to Grant GR-0020 which increased the total funding to \$2,602,000 and extended the end date to May 31, 2023. One (1) modification was made to Grant GR-3049 which extended the period of performance end date to March 15, 2024, with no impact on the total funding. See the *Summary of Grants* below.

### **Summary of Grants**

Grant Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
S-PMWRA-21-GR-3049	\$5,706,506	11/01/21	10/31/23	1	\$ 5,706,506	03/15/24
S-PMWRA-18-GR-0020*	500,000	05/14/18	03/31/19	5	2,602,000	05/31/23
<b>Total:</b>	<b>\$6,206,506</b>			<b>6</b>	<b>\$8,308,506</b>	

\* - Indicates the award is a close-out.

Established in 1990, MCPA is an Afghanistan-based international humanitarian demining organization and sponsored by the United Nations Office for the Coordination of Humanitarian Assistance to Afghanistan. Among other activities, MCPA specializes in mine action related surveys, needs assessment, demining operations, and mine risk education.

### **Work Performed**

Conrad LLP (Conrad) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of MCPA's Special Purpose Financial Statements (SPFSs) for two (2) Grant Agreements, as mentioned above, for revenue received \$5,448,477 and costs incurred \$5,412,258 for the period of performance from March 1, 2021, through October 31, 2023.

### **Objectives, Scope, and Methodology**

#### **Audit Objectives**

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

(Continued)



## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

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- *Special Purpose Financial Statement* – Express an opinion on whether MCPA's SPFSs for the Grant Agreements present fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the Grant Agreements and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of MCPA's internal controls related to the Grant Agreements, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether MCPA complied, in all material respects, with the Grant Agreements requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the agreements and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether MCPA has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFSs or other financial data significant to the audit objectives.

### **Scope**

The scope of this audit included all revenue received and costs incurred during the period of March 1, 2021, through October 31, 2023, totaling \$5,448,477 and \$5,412,258 under the Grant Agreements. Our testing of the indirect cost charged to the Grant Agreements were limited to determining that the indirect cost was calculated using the correct de minimis rate of 10%, as approved in the Grant Agreements.

### **Audit Methodology**

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

#### **Entrance Conference**

An entrance conference was held on August 2, 2023, with representatives of MCPA, Conrad, SIGAR, and DoS participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of the audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

#### **Planning**

During our planning phase, we performed the following:

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## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

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- Obtained an understanding of MCPA. The scope of our audit includes MCPA's management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of MCPA through interviews, observations, and reading policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
  - Grant Agreements and modifications.
  - Any regulations that are specific to the Grant Agreements' requirements, such as 2 CFR 200 Subpart E Cost Principles, 2 CFR 600 Department of State Uniform Administrative Requirements, Cost Principles, Department of State Standard Terms and Conditions for Federal Awards and Audit Requirements for Federal Awards.
  - Audited financial statements.
  - Previous SIGAR financial audit reports.
  - Close-out requirements and evidence supporting close-out procedures performed.
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs are properly recorded.

### Special Purpose Financial Statements

In reviewing the SPFSs, we performed the following:

- Reconciled the costs on the SPFSs to the Grant Agreements, and the applicable general ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Grant Agreements;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the de minimis rate of 10%, as approved in the Grant Agreements to ensure that the rate was accurately applied.

### Internal Controls Related to the Grant Agreements

We reviewed MCPA's internal controls related to the Grant Agreements to gain an understanding of the implemented system of internal control to obtain reasonable assurance of MCPA's financial reporting function and compliance with applicable laws and regulations. This review was accomplished through

(Continued)

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

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interviews with management and key personnel, reviewing policies and procedures, and identifying key controls within significant transaction cycles and testing those key controls.

### Compliance with the Grant Agreements' Requirements and Applicable Laws and Regulations

We performed tests to determine whether MCPA complied, in all material respects, with the Grant Agreements' requirements, 2 CFR 200, 2 CFR 600, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.

### Corrective Action on Prior Findings and Recommendations

We requested prior audit reports, engagements, or assessments from MCPA, SIGAR, and DoS, as well as conducted a search online of various governmental websites to determine if there were any findings and recommendations that could have a material effect on MCPA's SPFSs. See the *Status of Prior Audit Findings* section on page 33.

### Exit Conference

An exit conference was held on January 11, 2024, via conference call. Participants included representatives from Conrad, MCPA, SIGAR, and DoS. During the exit conference, we discussed the preliminary results of the audit and reporting process.

## **Summary of Results**

We have summarized the details of these results in the Findings and Questioned Costs subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

### Auditor's Opinion on the SPFSs

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFSs.

We identified \$11,886 in total questioned costs, which comprised \$580 in ineligible costs and \$11,306 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the grant agreements' provisions or applicable laws and regulations, or not related to the grant agreements. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on MCPA's SPFSs. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

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## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

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In performing our testing, we considered whether the information obtained resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*.

### Internal Controls

Our audit identified five (5) internal control findings. All internal control findings are considered to be significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 18.

### Compliance

The results of our testing identified five (5) instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 20.

In performing our testing, we considered whether the information obtained resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. MCPA did not self-disclose any instances of alleged fraud that could have a potential impact on the Program and the SPFSs. As such, there are no further communications warranting additional consideration.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2024-01	Internal Control – Significant Deficiency and Non-compliance	Missing or insufficient procurement documentation to show competitive sourcing or sole source justification.	\$ -	\$ 9,434	\$ 9,434
2024-02	Internal Control - Significant Deficiency and Non-compliance	Insufficient support showing an equitable allocation methodology.	-	- <sup>1</sup>	9,434

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<sup>1</sup> See explanation of questioned costs under Finding 2024-02 in the Schedule of Findings and Questioned Costs.

(Continued)

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

2024-03	Internal Control – Significant Deficiency and Non-compliance	Identification/Tazkira number does not match employee information listed on the employment contract.	-	1,872	11,306
2024-04	Internal Control – Significant Deficiency and Non-compliance	Vehicle rental agreement was not provided to support travel costs charged to the Program.	-	- <sup>2</sup>	11,306
2024-05	Internal Control – Significant Deficiency and Non-compliance	Indirect costs charged to the Award is not in accordance with Modified Total Direct Cost (MTDC) bases.	580	-	11,886
<b>Total Questioned Costs</b>			<b>\$ 580</b>	<b>\$ 11,306</b>	<b>\$ 11,886</b>

### Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from MCPA, SIGAR, and DoS pertinent to MCPA’s activities under the agreements. We identified three (3) prior audit reports that contained 15 findings and recommendations that could have a material effect on the SPFSs or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with the management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. We concluded that MCPA had taken adequate corrective actions on 11 findings and the other four (4) findings were not adequately addressed and are repeated under this audit. See *Status of Prior Audit Findings* on page 33 for a detailed description of the prior findings and recommendations.

### Summary of MCPA’s Responses to Findings

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

<sup>2</sup> See explanation of questioned costs under Finding 2024-04 in the Schedule of Findings and Questioned Costs.

(Continued)

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

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- (1) Finding 2024-01: MCPA disagreed with this finding and noted that collecting quotations was not feasible in certain instances and that MCPA staff interpreted the procurement policy differently for purchases over \$200.
- (2) Finding 2024-02: MCPA disagreed with this finding and noted that the allocation across the various projects aligns with the approved budget allowability for each project.
- (3) Finding 2024-03: MCPA disagreed with this finding and noted that the discrepancies in the national identification numbers were due to data entry error and the transition from manual to computerized Tazkira formats.
- (4) Finding 2024-04: MCPA disagreed with this finding and noted that they do not require formal agreements and instead follow an internal procurement process for competitive bidding and sole source procurement.
- (5) Finding 2024-05: MCPA disagreed with this finding and noted that the donor reviewed and approved the proposal.

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## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors  
Mine Clearance Planning Agency  
Kabul, Afghanistan

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

### Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statements of Mine Clearance Planning Agency (MCPA) and the related notes to the Special Purpose Financial Statements, with respect to the Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020 (Grant Agreements) awarded by the United States Department of State's, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement to support the Various Demining Clearance and Surveying Projects throughout Afghanistan, for the period of March 1, 2021 through October 31, 2023.

In our opinion, the Special Purpose Financial Statements referred to above presents fairly, in all material respects, the respective revenues received, costs incurred, and balances for the indicated period of March 1, 2021, through October 31, 2023, in accordance with the terms of the Grant Agreements and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR).

### Basis for Opinion

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

### Basis of Presentation and Accounting

We draw attention to Note 1 and Note 2 to the Special Purpose Financial Statements, which describe the basis of presentation and the basis of accounting. As described in Note 1 to the Special Purpose Financial Statements, the statements are prepared by MCPA on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

(Continued)

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

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statements in accordance with the requirements provided by the Office of the Special Inspector General of Afghanistan Reconstruction. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial Statement that it is free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 4, 2024 on our consideration of MCPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Grant Agreements, and other matters. The purpose of 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 *Government Auditing Standards* in considering MCPA's internal control over financial reporting and compliance.

**Restriction on Use**

This report is intended for the information of MCPA, the United States Department of State's, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to the United States Congress and the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Conrad LLP*

Lake Forest, California  
March 4, 2024

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021 through October 31, 2023

### Special Purpose Financial Statement

	<u>S-PMWRA-21GR-3049</u>		<u>S-PMWRA-18GR-0020</u>		<u>Combined</u>		<u>Questioned Costs</u>			<u>Notes</u>
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Total revenues	<u>\$5,706,506</u>	<u>\$4,355,685</u>	<u>\$1,144,346</u>	<u>\$1,092,792</u>	<u>\$6,850,852</u>	<u>\$5,448,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(4)
Costs incurred:										
Personnel	1,478,040	1,175,255	445,134	373,353	1,923,174	1,548,608	-	1,702	1,702	(A)
Fringe Benefits	962,763	750,179	249,535	200,121	1,212,298	950,300	-	-	-	
Travel	28,130	3,116	11,901	7,934	40,031	11,050	-	1,224	1,224	(B)
Equipment	-	-	-	-	-	-	-	-	-	
Supplies	112,555	106,060	28,533	23,490	141,088	129,550	-	5,700	5,700	(C)
Other Costs	2,772,681	2,160,996	322,548	281,391	3,095,229	2,442,387	-	1,652	1,652	(D)
Indirect Costs	<u>352,337</u>	<u>258,761</u>	<u>86,695</u>	<u>71,602</u>	<u>439,032</u>	<u>330,363</u>	<u>580</u>	<u>1,028</u>	<u>1,608</u>	(E)
Total costs incurred	<u>\$5,706,506</u>	<u>\$4,454,367</u>	<u>\$1,144,346</u>	<u>\$ 957,891</u>	<u>\$6,850,852</u>	<u>\$5,412,258</u>	<u>\$ 580</u>	<u>\$ 11,306</u>	<u>\$ 11,886</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ (98,682)</u>	<u>\$ -</u>	<u>\$ 134,901</u>	<u>\$ -</u>	<u>\$ -</u>				

<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of MCPA.

(Continued)

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021 through October 31, 2023

### Notes to Special Purpose Financial Statement<sup>1</sup>

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**(1) Basis of Presentation**

S-PMWRA-18GR-0020

The accompanying Special Purpose Financial Statement (Statement) includes costs incurred under Grant Number S-PMWRA-18-GR-0020 for the Non-Technical Survey for the period March 1, 2021, to May 31, 2023. Because the Statement presents only a selected portion of the operations of Mine Clearance Planning Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mine Clearance Planning Agency. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is specific to the aforementioned Federal S-PMWRA-18-GR-0020. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

S-PMWRA-21GR-3049

The accompanying Special Purpose Financial Statement (Statement) includes costs incurred under Grant Number S-PMWRA-21-GR-3049 for the Clearance in Kandahar Province for the period March 1, 2022, to March 15, 2024. Because the Statement presents only a selected portion of the operations of Mine Clearance Planning Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mine Clearance Planning Agency. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is specific to the aforementioned Federal S-PMWRA-21-GR-3049. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(2) Basis of Accounting**

S-PMWRA-18GR-0020

Revenues and expenditures reported on the Statement are reported on the cash basis of accounting. Expenditures are recognized following the cost principles contained in 2 CFR Part 200 and 2 CFR 600, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

S-PMWRA-21GR-3049

Revenues and expenditures reported on the Statement are reported on the cash basis of accounting. Expenditures are recognized following the cost principles contained in 2 CFR Part 200, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of MCPA.

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

### Notes to Special Purpose Financial Statement<sup>1</sup>

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#### (3) **Foreign Currency Translation Method**

##### S-PMWRA-18GR-0020

For purposes of preparing the Statement, translations from local currency to United States dollars were required. Funds are received by MCPA in United States Dollars (USD) directly into the bank account. Transactions in currencies other than USD are translated to USD at the exchange rate prevailing in the market on the date of transaction. The gain or loss arising from such transactions are recorded as income or expense. For reporting purposes, the official UN operational rates of exchange have been used.

##### S-PMWRA-21GR-3049

For purposes of preparing the Statement, translations from local currency to United States dollars were required. Funds are received by MCPA in United States Dollars (USD) directly into the bank account. Transactions in currencies other than USD are translated to USD at the exchange rate prevailing in the market on the date of transaction. The gain or loss arising from such transactions are recorded as income or expense. For reporting purposes, the official UN operational rates of exchange have been used.

#### (4) **Revenues**

##### S-PMWRA-18GR-0020

Revenues on the Statement represent the amount of funds to which Mine Clearance Planning Agency is entitled to receive from the PMWRA-US DoS for allowable, eligible costs incurred under the grant during the period of performance.

##### S-PMWRA-21GR-3049

Revenues on the Statement represent the amount of funds to which Mine Clearance Planning Agency is entitled to receive from the PMWRA-US DoS for allowable, eligible costs incurred under the grant during the period of performance.

#### (5) **Cost Incurred by Budget Category**

##### S-PMWRA-18GR-0020

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved award budget adopted as component amendment 005 and the Cost Extension of US DoS Non-Technical Survey Project (S-PMWRA-18-GR-0020) in Afghanistan, dated September 28, 2021.

##### S-PMWRA-21GR-3049

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved award budget adopted as component amendment 001 and the No Cost

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of MCPA.

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

### Notes to Special Purpose Financial Statement<sup>1</sup>

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Extension of US DoS Clearance in Kandahar Province (S-PMWRA-21-GR-3049) in Afghanistan, dated September 7, 2023.

**(6) Balance**

S-PMWRA-18GR-0020

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the grant and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made. Out of the \$134,901 balance, MCPA has refunded a total of \$134,255. The remaining gain of \$646 from the exchange rate will be remitted to the donor.

S-PMWRA-21GR-3049

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the grant and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made. The fund balance is \$(98,682).

The net fund balance of the two awards is \$36,219.

**(7) Currency**

S-PMWRA-18GR-0020

All amounts presented are shown in U.S. dollars.

S-PMWRA-21GR-3049

All amounts presented are shown in U.S. dollars.

**(8) Program Status**

S-PMWRA-18GR-0020

The agreement has been completed. The period of performance for the award concluded on May 31, 2023, as noted in amendment number M005 dated September 28, 2021. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of Cost Extension M0-5 – S-PMWRA-18-GR-0020.

S-PMWRA-21GR-3049

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of MCPA.

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

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### Notes to Special Purpose Financial Statement<sup>1</sup>

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The agreement remains active. The period of performance for the award is scheduled to conclude on March 15, 2024, as noted in amendment number M001 dated September 7, 2023. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of No Cost Extension M0-1 – S-PMWRA-21-GR-3049.

**(9) Subsequent Events**

S-PMWRA-18GR-0020

Management has performed an analysis of the activities and transactions subsequent to the March 1, 2021 to May 1, 2023, period covered by the Statement. Management has performed their analysis through March 4, 2024.

S-PMWRA-21GR-3049

Management has performed an analysis of the activities and transactions subsequent to the March 1, 2021 to October 31, 2023, period covered by the Statement. Management has performed their analysis through March 4, 2024.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of MCPA.

(Continued)

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021 through October 31, 2023

### Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>

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**(A) Personnel**

MCPA reported a total of \$1,548,608 for Personnel for the period of March 1, 2021, through October 31, 2023.

During our audit of these costs, we noted that identification/Tazkira numbers for employees did not match the employee's information in the employment contract, resulting in unsupported Personnel Costs of \$1,702. See **Finding No. 2024-03** in the *Schedule of Findings and Questioned Costs* section of this report.

**(B) Travel**

MCPA reported a total of \$11,050 for Travel for the period of March 1, 2021, through October 31, 2023.

During our audit of these costs, we noted costs charged to the Program were missing sufficient procurement documentation and vehicle rental agreements, resulting in unsupported Travel costs of \$1,224. See **Finding No. 2024-01** and **Finding No. 2024-04** in the *Schedule of Findings and Questioned Costs* section of this report.

**(C) Supplies**

MCPA reported a total of \$129,550 for Supplies for the period of March 1, 2021, through October 31, 2023.

During our audit of these costs, costs charged to the Program were missing sufficient procurement documentation, resulting in unsupported Supplies costs of \$5,700. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.

**(D) Others**

MCPA reported a total of \$2,442,387 for Others for the period of March 1, 2021, through October 31, 2023.

During our audit of these costs, we noted the costs charged to the Program were missing sufficient procurement documentation. This resulted in unsupported Others costs of \$1,652. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.

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<sup>2</sup> The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021 through October 31, 2023

### Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>

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**(E) Indirect Costs**

MCPA reported a total of \$330,363 for Indirect Costs for the period of March 1, 2021, through October 31, 2023.

During our audit of these costs, we noted indirect costs charged to the Award are not in accordance with MTDC bases. This resulted in ineligible Indirect Costs of \$580. See **Finding No. 2024-05** in the *Schedule of Findings and Questioned Costs* section of this report.

In addition, the indirect costs associated with questioned costs identified in Notes A, B, C, and D above resulted in total unsupported indirect costs of \$1,028.

This resulted in total questioned indirect costs of \$1,608.

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<sup>2</sup> The Notes to Questioned Costs presented on the Special Purpose Financial Statements were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statements.

(Continued)





## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
Mine Clearance Planning Agency  
Kabul, Afghanistan

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

We have audited, the Special Purpose Financial Statements (Statements) and related notes to the Statements, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by Mine Clearance Planning Agency (MCPA) under Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020 (Grant Agreements) in support of Various Demining Clearance and Surveying Projects throughout Afghanistan for the period of March 1, 2021 through October 31, 2023. We have issued our report thereon dated March 4, 2024 with an unmodified opinion.

### Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statements for the period of March 1, 2021 through October 31, 2023, we considered MCPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Special Purpose Financial Statements, but not for the purpose of expressing an opinion on the effectiveness of MCPA's internal control. Accordingly, we do not express an opinion on the effectiveness of MCPA's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

(Continued)

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2024-01, 2024-02, 2024-03, 2024-04, and 2024-05 to be significant deficiencies.

### **MCPA's Response to Findings**

MCPA's response to the findings identified in our audit is included verbatim at the *Appendix B*. MCPA's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control, and the result of that testing, and not to provide an opinion on the effectiveness of MCPA's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

### **Restriction on Use**

This report is intended for the information of MCPA, the United States Department of State's, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905, should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

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

Lake Forest, California  
March 4, 2024

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors  
Mine Clearance Planning Agency  
Kabul, Afghanistan

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

We have audited, the Special Purpose Financial Statements (Statements) and related notes to the Statements, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by Mine Clearance Planning Agency (MCPA) under Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020 (Grant Agreements) in support of Various Demining Clearance and Surveying Projects throughout Afghanistan, for the period of March 1, 2021 through October 31, 2023. We have issued our report thereon dated March 4, 2024 with an unmodified opinion.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCPA's Special Purpose Financial Statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Grant Agreements' noncompliance, with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed five (5) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2024-01, 2024-02, 2024-03, 2024-04, and 2024-05.

### MCPA's Response to Findings

MCPA's response to the findings identified in our audit is included verbatim at the *Appendix B*. MCPA's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

(Continued)

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## Restriction on Use

This report is intended for the information of MCPA, the United States Department of State's, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Conrad LLP*

Lake Forest, California  
March 4, 2024

(Continued)

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

### Schedule of Findings and Questioned Costs

**Finding 2024-01: Missing or insufficient procurement documentation to show competitive sourcing or sole source justification.**

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

**Condition:** Conrad tested 257 out of 2,454 transactions for all cost categories to determine if the costs incurred under the program were reasonable, adequately supported, and properly approved. During our testing, we noted nine (9) instances where MCPA did not provide supporting documentation showing competitive sourcing such as quotations from multiple vendors, comparative statement of quotations, or proof that an equitable evaluation was performed.

Due to lack of supporting documentation, we determined the following unsupported costs:

SPFS Cost Category	Issue Description	Number of Instances	Unsupported Costs
Travel - 0020	Proof of competitive sourcing was not provided for transactions incurred by the same vendor over \$200.	3	\$ 1,224
Supplies - 3049	For sole source procurements, MCPA did not provide proof of an equitable evaluation of other vendors.	2	2,878
Supplies - 3049	No procurement documentation was provided.	1	2,822
Other Costs - 0020	Proof of competitive sourcing was not provided for transactions incurred by the same vendor with an aggregate purchase over \$200.	1	405
Other Costs - 3049	Proof of competitive sourcing was not provided for transactions incurred by the same vendor with an aggregate purchases over \$200.	2	<u>1,247</u>
<b>Total:</b>		<b>9</b>	<b>\$ 8,576</b>

**Criteria:**

**MCPA’s Procurement Procedures Manual, Section 2.10. Non Competitive (Sole Source) Procurement**, states in part:

*“The purchasing of material, equipment, supplies and services costing more than \$200 individually or in aggregate must be by competitive sourcing.”*

**MCPA’s Procurement Procedures Manual, Section 2.7. Competition**, states in part:

*“All procurement transactions shall be conducted in a manner providing open and free competition to the maximum extent practical...An appropriate price and cost analysis shall be performed and documented in connection with every procurement action.”*

(Continued)

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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#### **MCPA's Procurement Procedures Manual, Section 2.10. Non Competitive (Sole Source) Procurement**, states in part:

*"...circumstances may dictate forgoing the competitive sourcing process and purchasing from one unique supplier for certain items or services. Such situations require documented justification, explaining the exceptional circumstances of the purchase. The documentation must show that an equitable evaluation has been made and that rejection of alternative suppliers or solutions is based on objective and relevant criteria."*

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

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

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

*(g) Be adequately documented..."*

#### **2 CFR 200.404, Reasonable Costs**, states in part:

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

- 1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.*
- 2. The restraints or requirements imposed by such factors as: sound business practices; arm's length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.*
- 3. Market prices for comparable goods or services for the geographic area.*
- 4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.*
- 5. Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."*

(Continued)

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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**Cause:** There were four causes to this finding:

- 1) MCPA stated that its practice is not to perform competitive bidding for individual purchases under \$200, even if the aggregate purchases from the same vendor are over \$200. MCPA stated its Procurement Policy requiring competitive bidding for aggregate purchases was erroneous.
- 2) For instances where the purchases were over \$200, MCPA management failed to provide oversight of their procurement policies and procedures for competitive sourcing, which applies to all direct purchases totaling \$200 or more individually or in aggregate.
- 3) For sole source purchases, MCPA provided an inter-office memo to justify the selection of the vendor as the sole provider without performing an equitable evaluation as required in MCPA's procurement policy for non-competitive (sole source) procurements.
- 4) Finally, in the instance where the procurement support was not provided, MCPA stated that due to the sensitivity of the costs as it pertains to security and maintenance costs of explosive bunkers it was not possible to obtain bids and quotations from the general public.

**Effect:** Lack of an adequate management review of the procurement process may have increased the risk for non-competitive purchases, which allows room for fraud, waste, and abuse, and may have resulted in the United States government overpaying for goods and services.

**Questioned Costs:** We identified \$8,576 in unsupported costs and \$858 in associated indirect costs, which resulted in \$9,434 in total questioned costs.

**Recommendation:**

- (1) We recommend that MCPA provide sufficient procurement documentation for the transactions or return the questioned costs of \$9,434.
- (2) We recommend that MCPA develop additional policies and procedures that require management to perform oversight to monitor procurement purchases to ensure they are in accordance with its procurement policies and procedures.
- (3) We recommend that MCPA implement additional policies and procedures to ensure that all procurement steps are performed and documented. They should include an equitable evaluation for purchases that are sole source or procurements that cannot be performed, due to the sensitive nature of the purchase, to show procurements are competitively sourced to the maximum extent practical.

(Continued)

## Mine Clearance Planning Agency

Financial Audit of the Special Purpose Financial Statement for  
Grant Award No. S-PMWRA-21-GR-3049 and S-PMWRA-18-GR-0020  
Various Demining Clearance and Surveying Projects throughout Afghanistan

For the Period of March 1, 2021, through October 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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#### **Finding 2024-02: Insufficient support showing an equitable allocation methodology.**

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

**Condition:** Conrad tested 18 transactions out of 186 transactions in the Supplies category, representing \$52,972 out of a total \$129,550 for these transactions. During our testing to determine if Supplies costs incurred under the Grant Agreements were adequately supported and allowable, we noted one (1) instance out of the 18 transactions sampled where costs of mine detector spare parts were allocated to multiple programs based on budget estimates. MCPA did not provide further evidence showing that costs were equitably allocated to multiple programs, such as based on actual costs incurred. This resulted in unsupported costs of \$1,801.

**Criteria:**

**MCPA's Finance Manual, Section 12.1. Cost Allocation, Purpose and Scope,** states:

*"Costs are allocated in proportion to the amount of benefit received such that each project or activity bears its fair share of the cost."*

**MCPA's Finance Manual, Section 12.2.1. Cost Allocation, Allocability,** states:

*"A cost is allocable to an activity or project in accordance with the proportional benefit that the activity received. Field offices should consider the scope of an allocation to ensure that unrelated projects do not bear a portion of the cost. The basis upon which costs are allocated must also be carefully considered to ensure a fair allocation. A cost must be allocated in a consistent manner with other costs incurred for the same purpose in similar circumstances."*

**MCPA's Finance Manual, Section 6.2.4. Internal Control Concepts & Considerations, Documentation and Record-Keeping Standards,** states:

*"It is essential that financial activities and transactions are clearly and appropriately documented and recorded.  
MCPA is responsible for accounting to donors and management for the use of its funds and other assets."*

**2 CFR 200.405, Allocable Costs,** states in part:

*"(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:*

1. Is incurred specifically for the Federal award...

(Continued)



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### Schedule of Findings and Questioned Costs (Continued)

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*(d) Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis..."*

**Cause:** MCPA did not understand that allocation based on budget is not an equitable allocation methodology.

**Effect:** Lack of equitable allocation methodology for costs incurred and paid may have resulted in the United States government overpaying for services through misallocation of costs.

**Questioned Costs:** We identified \$1,801 in unsupported costs and \$180 in associated indirect costs, which resulted in \$1,981 in total questioned costs.

Please note the amount questioned under this finding of \$1,801 and the associated indirect costs of \$180 have already been questioned in Finding 2024-01. Therefore, in the SPFS presentation, the amount of \$1,981 was not questioned again under this finding. However, if these costs are found to be supported under Finding 2024-01, they would still be questioned and should be refunded under this finding.

**Recommendation:**

- (1) We recommend that MCPA provide sufficient documentation to support the costs allocated and incurred were correctly charged to the Program or return \$1,981 in unsupported costs and associated indirect costs.
- (2) We recommend that MCPA develop and implement additional policies and procedures to ensure shared costs are not allocated based on budget estimates.

(Continued)

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### Schedule of Findings and Questioned Costs (Continued)

**Finding 2024-03: Identification/Tazkira number does not match the employment information listed on the employment contract.**

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

**Condition:** Conrad tested 103 out of 672 transactions to determine if salaries costs incurred under the Grant Agreement were reasonable, adequately supported and properly approved. We identified three (3) personnel files with a national identification number that did not match the identification number listed on the employment contract. MCPA was unable to provide evidence showing that the employment contract was issued to the individual whose payroll costs were charged to the Program. This resulted in total unsupported salaries costs of \$1,702.

Number	Payroll Month	Unsupported Costs
1	August 2021	\$ 645
2	August 2021	293
	June 2022	98
	December 2022	293
3	August 2021	373
<b>Total:</b>		<b>\$ 1,702</b>

**Criteria:**

**MCPA's Finance Manual, Section 6.2.4. Internal Control Concepts & Considerations, Documentation and Record-Keeping Standards, states:**

*"It is essential that financial activities and transactions are clearly and appropriately documented and recorded.*

*MCPA is responsible for accounting to donors and management for the use of its funds and other assets."*

**2 CFR 200.303, Internal Controls, states in part:**

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

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

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

(Continued)

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---

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

*(g) Be adequately documented..."*

**Cause:** MCPA acknowledged the Tazkira identification number from the original employment contract did not match the employee's actual details. Per MCPA, the mistake was due to human error in the data entry into the employment agreement. MCPA did not have a supervisory review process in place to verify the employee's identity and the accuracy of the employment contracts issued.

**Effect:** Lack of accurate personnel records may have resulted in the United States government paying individuals who don't exist or are not properly vetted to work on the program.

**Questioned Costs:** We identified \$1,702 in unsupported costs and \$170 in associated indirect costs, which resulted in \$1,872 in total questioned costs.

**Recommendation:**

(1) We recommend that MCPA provide Afghanistan national identification cards matching the original employment contract or return \$1,872 of unsupported costs and associated indirect costs.

(2) We recommend that MCPA develop a policy and procedure to ensure personnel records are accurate and the identity of individuals employed are verified prior to issuing employment contracts.

(Continued)

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### Schedule of Findings and Questioned Costs (Continued)

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#### **Finding 2024-04: Insufficient support for travel costs charged to the Program.**

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

**Condition:** Conrad tested 11 out of 91 transactions in the Travel category to determine if Travel costs incurred under the Grant Agreement were reasonable, adequately supported, properly approved and allowable.

During our testing, we noted three (3) instances where MCPA field staff engaged in a one-time vehicle rental from a vehicle rental vendor or rental company without a vehicle rental agreement or evidence of an outline of the terms and conditions, and vehicle use related to the programs.

Furthermore, the three (3) instances noted were also missing procurement documentation to substantiate price reasonableness. See Finding 2024-01 for more information regarding procurement documentation.

This resulted in unsupported costs of \$1,224.

**Criteria:**

**MCPA's Finance Manual, Section 6.2.4. Internal Control Concepts & Considerations, Documentation and Record-Keeping Standards,** states:

*"It is essential that financial activities and transactions are clearly and appropriately documented and recorded.*

*MCPA is responsible for accounting to donors and management for the use of its funds and other assets."*

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

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

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

*(g) Be adequately documented..."*

**2 CFR 200.404, Reasonable costs,** states in part:

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

(Continued)

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### Schedule of Findings and Questioned Costs (Continued)

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*its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."*

**Cause:** MCPA did not have a policy that required vehicle rentals to execute a rental agreement with the vendors if they are one-time rental to clearly demonstrate the purpose and scope of the work on the vehicle rented meet the employee needs for the program purpose.

**Effect:** Vehicle rental costs could not be substantiated as vehicle rental agreements were not created to outline the terms and conditions including price, duration, and the scope of work, which increased the risk of the U.S. government paying for costs not related to these programs.

**Questioned Costs:** We identified \$1,224 in unsupported costs and \$122 in associated indirect costs, which resulted in \$1,346 in total questioned costs.

Please note the amount questioned under this finding of \$1,224 and the associated indirect costs of \$122 have already been questioned in Finding 2024-01. Therefore, in the SPFS presentation, the amount of \$1,346 was not questioned again under this finding. However, if these costs are found to be supported under Finding 2024-01, they would still be questioned and should be refunded under this finding.

**Recommendation:**

- (1) We recommend that MCPA provide sufficient documentation to support the costs incurred were correctly charged to the Program or return \$1,346 in unsupported costs and associated indirect costs.
- (2) We recommend that MCPA develop and implement policies and procedures to ensure that a vehicle rental agreement is executed to include all the terms and conditions and to demonstrate the vehicle use meets the program objective.

(Continued)

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### Schedule of Findings and Questioned Costs (Continued)

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**Finding 2024-05: Indirect costs charged to the award was not in accordance with the modified total direct cost (MTDC) Bases.**

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

**Condition:** Conrad tested 115 out of 1,075 transactions in Others category to determine if costs incurred under the Grant Agreement were reasonable, adequately supported, properly approved and allowable. During our testing, we noted one (1) instance where three (3) high-end laptops were purchased for \$5,800. This equipment was not excluded in the Modified Total Direct Cost base before calculating indirect costs charged to the Program. Since MCPA used the de minimis rate of 10% as their indirect cost rate, total ineligible indirect cost is \$580.

**Criteria:**

**2 CFR 200.1, Definitions**, states in part:

*“Equipment, means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000...”*

**2 CFR 200.1, Definitions**, states in part:

*“Modified Total Direct Cost (MTDC), means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000...”*

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

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

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

*(g) Be adequately documented...”*

**2 CFR 200.404, Reasonable costs**, states in part:

(Continued)

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

**Cause:** MCPA was not familiar with the MTDC requirements and was not aware of the requirements.

**Effect:** Ineligible costs were charged to the Program.

**Questioned Costs:** We identified \$580 in total questioned costs for ineligible indirect costs.

**Recommendation:**

(1) We recommend that MCPA show evidence that the ineligible costs identified are allowable or return \$580 of ineligible costs.

(2) We recommend that MCPA develop policies and procedure to ensure familiarity with the MTDC requirements.

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### **Status of Prior Audit Findings**

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We requested prior audit reports, evaluations, and reviews from MCPA, SIGAR, and DoS pertaining to the agreement activities under this audit. We identified three (3) prior audit reports which contained 15 findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, including discussion with MCPA's management, and performed testing of similar activities during our audit. We concluded that MCPA had taken adequate corrective actions on 11 findings and the other four (4) findings were not adequately addressed and are repeated under this audit. We have summarized the results of our procedures below:

1. Financial Audit for Grant Numbers: S-PMWRA-15GR-1014, S-PMWRA-17GR-1077, S-PMWRA-18GR-0020, S-PMWRA-19-GR-0035, S-PMWRA-20GR-0050 for the Period January 1, 2015 through July 2015.

#### **Finding 2021-01: Unsupported and unreasonable vehicle rental costs.**

**Issue:** The audit firm noted seven (7) transactions not supported by adequate vendor procurement documentation to verify full completion; 15 items out of a sample of 65 were rental vehicles that were determined not supported by adequate documentation.

**Status:** For the current engagement, we noted instances MCPA did not provide vehicle rental agreements to support travel costs charged to the Program, see **Finding 2024-04** of this audit report. As such, Conrad concluded that MCPA has not taken adequate corrective action on this finding.

#### **Finding 2021-02: Use of competitive procurement procedures for miscellaneous items not substantiated.**

**Issue:** The audit firm noted 15 out of 65 transactions tested included costs unsupported by adequate vendor procurement documentation. Because competitive procurement procedure could not be substantiated, the audit firm was unable to verify that the price paid was reasonable.

**Status:** For the current engagement, we noted instances where MCPA did not perform competitive procurement procedures for costs charged to the program, see **Finding 2024-01** of this audit report. As such, Conrad concluded that MCPA has not taken adequate corrective action on this finding.

#### **Finding 2021-03: Insufficient procurement documentation records.**

**Issue:** The audit firm noted there were inadequate procurement population details, insufficient procurement records, and absent flow-down requirements.

**Status:** For the current engagement, we noted instances where MCPA did not perform competitive procurement procedures for costs charged to the program, see **Finding 2024-01** of

(Continued)



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### **Status of Prior Audit Findings (Continued)**

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this audit report. As such, Conrad concluded that MCPA has not taken adequate corrective action on this finding.

#### **Finding 2021-04: Indirect costs charged to the award not in accordance with modified total direct cost (MTDC) Bases.**

**Issue:** The audit firm noted total indirect costs for the MTDC base for all grants were overcharged to the government. In addition, MCPA did not appropriately exclude all rental costs from MTDC bases prior to the application of the 10% de minimis rate for certain grants.

**Status:** For the current engagement, we noted MCPA did not appropriately exclude all required costs from MTDC bases, see **Finding 2024-05** of this audit report. As such, Conrad concluded that MCPA has not taken adequate corrective action on this finding.

#### **Finding 2021-05: Hazard allowance paid in excess of established policies and procedures.**

**Issue:** The audit firm noted that of the 80 total allowable cost samples, one expense for “Hazard Pay Allowances” was incurred by the employee in excess of the daily rate allotted, per MCPA’s policy.

**Status:** For the current engagement, there were no instances of MCPA incorrectly paying hazard allowances. As such, we concluded that MCPA has taken adequate corrective action on this finding.

#### **Finding 2021-06: Unallowable costs charged to award for cancelled flight.**

**Issue:** The audit firm noted MCPA reported and charged costs for a canceled flight.

**Status:** For the current engagement, there were no instances of MCPA charging costs for canceled flights. As such, we concluded that MCPA has taken adequate corrective action on this finding.

#### **Finding 2021-07: Inaccurate financial data reported in SF-425 reports.**

**Issue:** The audit firm noted SF-425 reported \$179,038 more in expenditures than the supporting accounting records. Overages were not questioned as they have no impact on the accounting recording.

**Status:** For the current engagement, there were no instances of inaccurately reporting financial data in SF-425 reports. As such, we concluded that MCPA has taken adequate corrective action on this finding.

(Continued)

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### **Status of Prior Audit Findings (Continued)**

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#### **Finding 2021-08: Untimely and incomplete financial and program reports.**

**Issue:** The audit firm noted one (1) out of five (5) of the performance reports required were not submitted by the required deadline of 90 days after the award period end date for grant S-PMWRA-19-GR-0035.

**Status:** For the current engagement, there were no instances of untimely and incomplete financial and program reports. As such, we concluded that MCPA has taken adequate corrective action on this finding.

#### **Finding 2021-09: Misclassification of costs reported on the SPFS.**

**Issue:** The audit firm noted MCPA misclassified \$24,660 of vehicle rental costs reported under the Equipment line item for grant number SPMWRA-GR17-1077. Additionally, MCPA incurred vehicle rental costs of the same nature under each of the other grants under audit, and they did not classify those expenditures as being incurred for equipment.

**Status:** For the current engagement, there were no instances of misclassification of costs on the SPFS. As such, we concluded that MCPA has taken adequate corrective action on this finding.

2. MCPA Financial Audit of Costs Incurred for the Period April 1, 2018, through May 31, 2021, for Grant Award No. S-PMWRA-18-GR-0020 funded by the Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA).

#### **Finding 1: Boarding passes for air travel were not provided.**

**Issue:** The audit firm noted two (2) instances of air travel for which boarding passes have not been provided.

**Status:** For the current engagement, there were no instances of missing boarding passes for air travel. As such, Conrad concluded that MCPA has not taken adequate corrective action on this finding.

#### **Finding 2: Employee's acknowledgement was not provided.**

**Issue:** The audit firm noted \$3,615 has been paid to purchase uniform and bedding items for employees. Employee's acknowledgement, who received the uniform and bedding items, has not been provided.

**Status:** For the current engagement, there were no instances noted where employee's acknowledgement was not provided for purchases. As such, we concluded that MCPA has taken adequate corrective action on this finding.

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### Status of Prior Audit Findings (Continued)

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**Finding 3: Service receipt note of field office vehicle repair and maintenance was not provided.**

**Issue:** The audit firm noted \$2,631 has been paid for field office vehicle repair and maintenance. Service receipt note has not been provided in this regard.

**Status:** For the current engagement, there were no instances of missing service receipt notes. As such, Conrad concluded that MCPA has not taken adequate corrective action on this finding.

**Finding 4: Inadequate internal audit function.**

**Issue:** The audit firm noted that there is no internal audit function that could evaluate and improve the effectiveness of risk management, control, and governance processes.

**Status:** For the current engagement, there were no instances of an inadequate internal review function. As such, we concluded that MCPA has taken adequate corrective action on this finding.

**Finding 5: Vendor's quotation and invoice not addressed to MCPA.**

**Issue:** The audit firm noted instances where vendor's quotations and invoices were not addressed to the MCPA. The quotations and invoices were not issued in the name of the MCPA.

**Status:** For the current engagement, there were no instances of vendors quotations and invoices not being addressed to MCPA. As such, we concluded that MCPA has taken adequate corrective action on this finding.

3. MCPA Financial Audit of Costs Incurred for the Period June 1, 2021, through May 31, 2023, for Grant Award No. S-PMWRA-18-GR-0020.

**Finding 1: No internal audit function.**

**Issue:** The audit firm noted that there is no internal audit function that could evaluate and improve the effectiveness of risk management, control, and governance processes.

**Status:** For the current engagement, there were no instances of an inadequate internal review function. As such, we concluded that MCPA has taken adequate corrective action on this finding.

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**Finding 2024-01: Missing or insufficient procurement documentation to show competitive sourcing or sole source justification.**

**Condition:** Conrad tested 257 out of 2,454 transactions for all cost categories to determine if the costs incurred under the program were reasonable, adequately supported, and properly approved. During our testing, we noted nine (9) instances where MCPA did not provide supporting documentation showing competitive sourcing such as quotations from multiple vendors, comparative statement of quotations, or proof that an equitable evaluation was performed.

**MCPA Management Response:**

In response to your observation regarding the lack of supporting documentation for competitive sourcing in nine instances, we do not agree with your observation and would like to provide a detailed explanation of our justification for each scenario.

**Travel.****Part 1 - Formal Agreements and Sole Source Justification:****1.1 Formal Agreements for Recurring and Long-Term Transportation Needs:**

For recurring or long-term transportation needs, such as hiring a vehicle for a whole month or employee pick-up and drop-off services, we consistently enter into formal agreements with the chosen supplier. These agreements meticulously outline the terms and conditions of the service, ensuring transparency, and compliance with our internal controls.

**1.2 One-Time Local Transportation without Formal Agreements:**

In the case of one-time local transportation involving the shifting of items from one location to another, we adhere to industry standards, which commonly do not require formal agreements for such occasional transactions. Instead, our internal procurement process is meticulously followed, encompassing the steps of obtaining multiple quotations, evaluating based on predefined criteria, selecting the most competitive provider, issuing a purchase order, and maintaining comprehensive documentation.

**1.3 Justification for Sole Source Procurement in Remote Project Locations:**

In instances where our projects operate in extremely remote areas with limited transportation options, we acknowledge the challenges posed by the absence of established local transportation companies. In such

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cases, a sole source justification becomes necessary, and we follow a stringent process to ensure transparency and accountability.

Verification of Rates and Availability: We confirm the competitiveness of rates through inquiries with local residents familiar with transportation costs in the region.

Internal Approval Process: Our internal procurement team reviews and approves the decision to utilize a sole source provider, ensuring compliance with company policies.

Issuance of Internal Invoice Memo: We generate an internal invoice memo outlining the agreed-upon terms and conditions for the service, providing a record of the service provided.

We believe that these measures demonstrate our commitment to ethical and transparent procurement practices, even in challenging circumstances. While obtaining multiple quotes is ideal, the unique challenges of remote projects sometimes render this impractical.

#### Part 2 - Agreement and Invoice Issue:

##### 2.1 Formal Agreements for Recurring and Long-Term Transportation Needs (Repeated for Emphasis):

Recurring or long-term transportation needs are consistently addressed through formal agreements, outlining the terms and conditions comprehensively.

##### 2.2 Justification for Sole Source Procurement in Remote Project Locations (Repeated for Emphasis):

Operating in geographically isolated areas with limited transportation infrastructure necessitates a thorough justification process for sole source procurement. This process involves a detailed submission by the supervisor, translation into English, review by the project manager, and final authorization by the director.

#### Part 3 - Agreement and Invoice Issue (Repeated for Emphasis):

##### 3.1 Formal Agreements for Recurring and Long-Term Transportation Needs (Repeated for Emphasis):

Recurring or long-term transportation needs are consistently addressed through formal agreements, outlining the terms and conditions comprehensively.

##### 3.2 Justification for Sole Source Procurement in Remote Project Locations (Repeated for Emphasis):

(Continued)

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Operating in geographically isolated areas with limited transportation infrastructure necessitates a thorough justification process for sole source procurement. This process involves a detailed submission by the supervisor, translation into English, review by the project manager, and final authorization by the director.

In conclusion, we stand by the integrity and efficiency of our procurement process, emphasizing the importance of flexibility in adapting to varying circumstances while ensuring adherence to industry best practices and internal controls.

#### Supplies:

##### Part 1: Allocation Across Projects

Budget Allowability and Allocation Methodology: On page 20 of the Provided document Sample S-7, we mentioned a \$14,015.35 allocation across three projects. The allocation across three projects, namely SPMWRA21GR3049, UNMAS Kunduz, and UNMAS Ghazni, aligns with the approved budget allowability for each project. We employed a methodology based on the available budget within ongoing MCPA projects earmarked for such allocations. This approach prioritizes efficient resource utilization, ensuring expenditures align with both the overall program budget and individual project budgets within the framework of approved allowability guidelines.

Competitive Procurement for Mine Detector Spare Parts: The Directorate of Mine Action Coordination (DMAC) conducted a vendor selection process for mine detector spare parts, following established procurement procedures. MINELAB emerged as the sole source supplier through this process. In compliance with DMAC's directive and our procurement policy, paragraph 5.5 – Non-Competitive (Sole Source) Procurement, we are obligated to procure spare parts from MINELAB to avoid potential penalties for non-compliance.

##### Part 2: Memorandum of Understanding (MoU) and Non-Competitive Bidding

MoU with Ministry of Defense (MoD), Ministry of Interior (Mol), and Demining NGOs: The MoU signed in 2015 involves the MoD, Mol, and demining NGOs, including MCPA. The agreement outlines the construction and management of the bunker, with land provided by MoD and construction funded by NGOs with donor support.

Stakeholder Meeting and Selection Process: DMAC invited all NGOs to consider managing the bunker's security. MDC was selected based on its reputation, experience, and commitment to transparency.

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Justification for Non-Competitive Bidding: The lack of formal bidding is acknowledged, but the selection process involved all stakeholders, ensuring transparency. Due to security concerns and the nature of the items to be protected, public bidding or collecting quotations was not feasible. MDC was chosen based on its expertise and proven track record in similar sensitive projects, mitigating significant risks.

#### Part 3: Sole Source Procurement for Motorola Devices

Authorized Supplier: Afghan Taksar is the only authorized company in Kabul, holding a platinum status certificate from Motorola, making it the sole authorized supplier of Motorola devices crucial for our operations.

Internal Office Memo and Research Findings: Our internal office memo further justifies the selection of Afghan Taksar as the sole source supplier based on research findings, solidifying our confidence in their ability to meet our operational requirements.

In conclusion, we want to reaffirm our commitment to transparency, compliance with established procurement policies, and the efficient use of program resources. We believe that our justifications provide a comprehensive understanding of the circumstances surrounding the observed instances.

#### Others

After carefully reviewing the observation, we would like to provide a detailed response to each part of the finding:

#### Part 1: Compliance with \$200 Threshold and Competitive Quotations Policy

We acknowledge the requirement outlined in Paragraph 4 of the MCPA procurement policy, which mandates obtaining price or rate quotations from at least three qualified sources for any single transaction exceeding \$200. However, we believe a nuanced interpretation of the policy is warranted in this context.

Multiple Transactions Consideration: The transactions in question represent separate purchases made on different dates for distinct needs. Although the combined total exceeds the \$200 threshold, each individual transaction falls within the "micro-purchase" category as defined in Paragraph 4. Therefore, they do not require competitive quotations, as they are below the mandatory threshold for such transactions.

Fair and Reasonable Prices: We have conducted a comprehensive review of the pricing for each individual transaction. Our assessment confirms that the prices are fair and reasonable, aligning with government-determined and controlled prices.

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#### Part 2: Continued Clarification on Compliance with Paragraph 4

Reiterating our stance from Part 1, we emphasize the importance of interpreting the policy in light of the nature of these transactions:

Multiple Transactions: Once again, we stress that these transactions, although contributing to a cumulative total above \$200, are distinct and independent purchases. Therefore, they fall within the "micro-purchase" category, exempting them from the competitive quotation requirement.

Fair and Reasonable Prices: Our commitment to ensuring fair and reasonable prices is underscored by our ongoing review and confirmation of pricing based on government-determined and controlled benchmarks.

#### Part 3: Consistency in Compliance Interpretation and Pricing Verification

In the interest of providing consistent information, we reiterate the key points from our previous responses:

Multiple Transactions Clarification: The transactions under review are separate purchases, each falling within the "micro-purchase" category, thus exempting them from the competitive quotation requirement.

Pricing Verification: Our commitment to fair and reasonable prices is upheld through continuous reviews that confirm adherence to government-determined and controlled pricing guidelines.

In conclusion, we appreciate the auditor's diligence in evaluating our processes, and we believe our justification provides a reasonable interpretation of the procurement policy in the context of these specific transactions.

#### Finding 2024-02: Insufficient support showing an equitable allocation methodology.

**Condition:** Conrad tested 18 transactions out of 186 transactions in the Supplies category, representing \$52,972 out of a total \$129,550 for these transactions. During our testing to determine if Supplies costs incurred under the Grant Agreements were adequately supported and allowable, we noted one (1) instance out of the 18 transactions sampled where costs of mine detector spare parts were allocated to multiple programs based on budget estimates. MCPA did not provide further evidence showing that costs were equitably allocated to multiple programs, such as based on actual costs incurred. This resulted in unsupported costs of \$1,801.

(Continued)



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**MCPA Management response:**

We do not agree with your observation and would like to provide a detailed explanation of our justification for each scenario.

Budget Allowability and Allocation Methodology: On page 20 of the Provided document Sample S-7, we mentioned a \$14,015.35 allocation across three projects. The allocation across three projects, namely SPMWRA21GR3049, UNMAS Kunduz, and UNMAS Ghazni, aligns with the approved budget allowability for each project. We employed a methodology based on the available budget within ongoing MCPA projects earmarked for such allocations. This approach prioritizes efficient resource utilization, ensuring expenditures align with both the overall program budget and individual project budgets within the framework of approved allowability guidelines.

Competitive Procurement for Mine Detector Spare Parts: The Directorate of Mine Action Coordination (DMAC) conducted a vendor selection process for mine detector spare parts, following established procurement procedures. MINELAB emerged as the sole source supplier through this process. In compliance with DMAC's directive and our procurement policy, paragraph 5.5 – Non-Competitive (Sole Source) Procurement, we are obligated to procure spare parts from MINELAB to avoid potential penalties for non-compliance.

**Finding 2024-03: Identification/Tazkira number does not match the employment information listed on the employment contract.**

**Condition:** Conrad tested 103 out of 672 transactions to determine if salaries costs incurred under the Grant Agreement were reasonable, adequately supported and properly approved. We identified three (3) personnel files with a national identification number that did not match the identification number listed on the employment contract. MCPA was unable to provide evidence showing that the employment contract was issued to the individual whose payroll costs were charged to the Program. This resulted in total unsupported salaries costs of \$1,702.

**MCPA Management response:**

We appreciate the opportunity to provide a detailed response and clarification on the identified discrepancies in the National Identification Document (NID) numbers for certain personnel files. We do not agree with your observation and would like to provide a detailed explanation of our justification for each scenario. Our response is structured to address each specific case mentioned in your observation.

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**File 1: Mr. Nawid**

Context: In Afghanistan, the existence of two NID formats, namely the Manual Tazkira and the Computerized Tazkira, has been a unique challenge. Mr. Nawid possesses both formats, and the MCPA contract was initially awarded based on his Manual Tazkira number (NID-729163).

Explanation: Subsequently, Mr. Nawid provided the Computerized Tazkira to MCPA, resulting in a difference in NID numbers. The attached Manual Tazkira, with NID number NID-729163, accurately reflects the identification document utilized during the initial contract award process.

Justification: The discrepancy arises due to Mr. Nawid's transition from the Manual to the Computerized Tazkira format. We have ensured that the initial contract award process was based on the correct Manual Tazkira number, and any subsequent variations are attributed to the transition to the newer format.

**File 2: Mr. Habiburahman**

Explanation: In the case of Mr. Habiburahman, we acknowledge the transition of his NID from the Manual to the Computerized format. A proactive identification of this transition led us to rectify an inconsistency in the MCPA contract for the period June 1, 2021, to May 31, 2022.

Justification: The current contract (June 1, 2022, to May 31, 2023) correctly utilizes his updated NID-13404028, and to maintain transparency, we have reprinted the former contract with the correct NID and updated our system accordingly.

**File 3: Mr. Abdul Wali**

Explanation: In the case of Mr. Abdul Wali, we acknowledge a data entry error where his Tazkira/NID number was incorrectly listed as 272269 in his 2021 and 2022 contracts.

Justification: We have rectified this mistake by revising the contracts with the correct number (1094957). The revised contracts and Mr. Abdul Wali's official Tazkira document are attached for your reference.

Conclusion: We appreciate the auditor's diligence in reviewing our transactions, and we have taken corrective actions based on the observations provided. We remain committed to ensuring the accuracy and integrity of our financial processes and appreciate your understanding of the unique challenges posed by the dual NID formats in Afghanistan.

(Continued)

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**Finding 2024-04: Insufficient support for travel costs charged to the Program.**

**Condition:** Conrad tested 11 out of 91 transactions in the Travel category to determine if Travel costs incurred under the Grant Agreement were reasonable, adequately supported, properly approved and allowable. During our testing, we noted three (3) instances where MCPA field staff engaged in a one-time vehicle rental from a vehicle rental vendor or rental company without a vehicle rental agreement or evidence of an outline of the terms and conditions, and vehicle use related to the programs. Furthermore, the three (3) instances noted were also missing procurement documentation to substantiate price reasonableness. See Finding 2024-01 for more information regarding procurement documentation.

This resulted in unsupported costs of \$1,224.

**MCPA Management response:**

In response to your observation regarding the lack of supporting documentation for competitive sourcing in three instances, we do not agree with this observation and we would like to provide a detailed explanation of our justification for each scenario.

**Instance 1 - Formal Agreements and Sole Source Justification:****1.1 Formal Agreements for Recurring and Long-Term Transportation Needs:**

For recurring or long-term transportation needs, such as hiring a vehicle for a whole month or employee pick-up and drop-off services, we consistently enter into formal agreements with the chosen supplier. These agreements meticulously outline the terms and conditions of the service, ensuring transparency, and compliance with our internal controls.

**1.2 One-Time Local Transportation without Formal Agreements:**

In the case of one-time local transportation involving the shifting of items from one location to another, we adhere to industry standards, which commonly do not require formal agreements for such occasional transactions. Instead, our internal procurement process is meticulously followed, encompassing the steps of obtaining multiple quotations, evaluating based on predefined criteria, selecting the most competitive provider, issuing a purchase order, and maintaining comprehensive documentation.

**1.3 Justification for Sole Source Procurement in Remote Project Locations:**

In instances where our projects operate in extremely remote areas with limited transportation options, we acknowledge the challenges posed by the absence of established local transportation companies. In such

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cases, a sole source justification becomes necessary, and we follow a stringent process to ensure transparency and accountability.

Verification of Rates and Availability: We confirm the competitiveness of rates through inquiries with local residents familiar with transportation costs in the region.

Internal Approval Process: Our internal procurement team reviews and approves the decision to utilize a sole source provider, ensuring compliance with company policies.

Issuance of Internal Invoice Memo: We generate an internal invoice memo outlining the agreed-upon terms and conditions for the service, providing a record of the service provided.

We believe that these measures demonstrate our commitment to ethical and transparent procurement practices, even in challenging circumstances. While obtaining multiple quotes is ideal, the unique challenges of remote projects sometimes render this impractical.

**Instance 2 - Agreement and Invoice Issue:**

2.1 Formal Agreements for Recurring and Long-Term Transportation Needs (Repeated for Emphasis):

Recurring or long-term transportation needs are consistently addressed through formal agreements, outlining the terms and conditions comprehensively.

2.2 Justification for Sole Source Procurement in Remote Project Locations (Repeated for Emphasis):

Operating in geographically isolated areas with limited transportation infrastructure necessitates a thorough justification process for sole source procurement. This process involves a detailed submission by the supervisor, translation into English, review by the project manager, and final authorization by the director.

**Instance 3 - Agreement and Invoice Issue (Repeated for Emphasis):**

3.1 Formal Agreements for Recurring and Long-Term Transportation Needs (Repeated for Emphasis):

Recurring or long-term transportation needs are consistently addressed through formal agreements, outlining the terms and conditions comprehensively.

3.2 Justification for Sole Source Procurement in Remote Project Locations (Repeated for Emphasis):

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Operating in geographically isolated areas with limited transportation infrastructure necessitates a thorough justification process for sole source procurement. This process involves a detailed submission by the supervisor, translation into English, review by the project manager, and final authorization by the director.

In conclusion, we stand by the integrity and efficiency of our procurement process, emphasizing the importance of flexibility in adapting to varying circumstances while ensuring adherence to industry best practices and internal controls.

#### **Finding 2024-05: Indirect costs charged to the award was not in accordance with the modified total direct cost (MTDC) Bases.**

**Condition:** Conrad tested 115 out of 1,075 transactions in Others category to determine if costs incurred under the Grant Agreement were reasonable, adequately supported, properly approved and allowable. During our testing, we noted one (1) instance where three (3) high-end laptops were purchased for \$5,800. This equipment was not excluded in the Modified Total Direct Cost base before calculating indirect costs charged to the Program. Since MCPA used the de minimis rate of 10% as their indirect cost rate, total ineligible indirect cost is \$580.

#### **MCPA Management response:**

We have carefully reviewed the observation regarding the procurement of three high-end laptops, we do not agree with this observation and would like to provide a detailed response addressing the concerns raised.

#### **Background:**

Project Timeline and Budget Allocation: The initial project end date was scheduled for May 31, 2021, with the budget allocated accordingly. However, due to the evolving nature of the project's activities, the donor graciously extended the project duration until May 31, 2022, necessitating additional resources to sustain ongoing initiatives.

#### **Explanation:**

Project Extension and Budget Implications: The extension granted by the donor brought about unforeseen challenges, including the need for supplementary resources to support the prolonged project duration. In response to this extension, we encountered a critical need for essential laptops to facilitate the continuation of project activities.

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Laptop Procurement Necessity: Recognizing the urgency and essential nature of the laptops for project continuity, we proceeded with the procurement. The decision to acquire these laptops was grounded in the imperative to meet project objectives and deliverables during the extended timeline.

Budgetary Constraints and Direct Cost Charging: Unfortunately, at the time of procurement (May 27, 2021, with approval granted on May 28, 2021), the indirect cost funds were depleted. Faced with this constraint, we made the decision to charge the laptop expense to the remaining direct cost budget to ensure timely acquisition and deployment for project activities.

To further contextualize our response, it is crucial to note that during the proposal submission to the donor, the total direct cost and other indirect costs based on the Modified Total Direct Cost were clearly outlined. The donor reviewed and approved the proposal without raising any objections or queries regarding the budget allocation.

Moreover, we have diligently adhered to the approved budget throughout the project lifecycle. Quarterly and annual financial reports were submitted to the donor, all of which were accepted without any objections. Our commitment to compliance with the donor's rules and regulations, along with the execution of activities as per the approved budget, underscores our dedication to transparency and accountability.

In light of these circumstances, we respectfully request the removal of the mentioned \$580 cost from the questioned expenses. The procurement was a necessary and justifiable action undertaken to fulfill project obligations within the donor-approved framework.

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Mine Clearance Planning Agency (MCPA) disagreed with the questioned costs for Finding 2024-01, Finding 2024-02, Finding 2024-03, Finding 2024-04, and Finding 2024-05. Auditor's rebuttal to MCPA's responses received related to the audit findings identified in this report are presented below:

(1) **Finding 2024-01:**

MCPA did not agree with the issue identified in **Finding 2024-01** where procurement documentation was missing or insufficient to show competitive sourcing or sole source justification.

- For instances related to Travel, MCPA management stated while obtaining multiple quotes is ideal, the process can be impractical given the unique challenges of remote projects. MCPA stated that they confirm the competitiveness of rates through inquiries with local residents familiar with transportation costs in the region.
- For one instance related to Supplies, MCPA management stated sole source vendors were selected to avoid potential penalties for non-compliance with the Directorate of Mine Action Coordination (DMAC).
- In another instance related to Supplies, MCPA acknowledged the lack of formal bidding and stated due to security concerns and the nature of the items to be protected, public bidding or collecting quotations was not feasible.
- For the last instance under Supplies, MCPA stated that the vendor selected is the sole authorized supplier and an internal office memo justifies the selection was based on research findings.
- For the instances related to Others, MCPA stated that there was a nuanced interpretation of the procurement policy as it mandates that quotes are to be obtained from at least three qualified sources for transactions over \$200. Per MCPA, the transactions in question are separate purchases made on different dates and altogether exceed the \$200 threshold, but individually fall within the micro-purchase category and do not require competitive quotations.

**Auditor's Rebuttal:**

For instances related to Travel, MCPA did not provide proof of competitive sourcing for transactions incurred by the same vendor which in total exceeded MCPA's procurement threshold of \$200 and requires at least three (3) vendor quotations. We were unable to determine if the costs were reasonable in accordance with 2 CFR 200.404.

Regarding Supplies costs, in one (1) instance, no procurement documentation was provided to show any form of competitive bidding among the available non-government organizations that could perform the service. Additionally, MCPA did not provide supporting documentation stating

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that a penalty would be incurred if they chose a vendor different than the one used. Finally, MCPA did not provide proof of an equitable evaluation was performed to demonstrate the price was reasonable.

For the instance where procurement is not performed due to security concerns, MCPA should still demonstrate further procurement efforts were exhausted and an official sole source justification with equitable evaluation should have been issued. MCPA did not provide any evidence to demonstrate extra efforts for public procurement were performed nor was a sole source justification with equitable evaluation provided.

In the last instance, MCPA provided an internal memo classified as sole source procurements, however, we did not receive proof of an equitable evaluation as required in the procurement policy nor any proof of market research performed.

For instances related to Others, MCPA did not provide proof of competitive sourcing for transactions incurred by the same vendor which in total exceeded MCPA's procurement threshold of \$200 and required at least three (3) vendor quotations. In addition, even though the interpretation of aggregate thresholds of \$200 was nuanced interpretation, MCPA still needs to provide evidence to satisfy the reasonableness requirement under 2 CFR 200.404.

As such, our finding and recommendations remain unchanged.

**(2) Finding 2024-02:**

MCPA did not agree with the issue identified for Supplies costs in **Finding No. 2024-02** where there was insufficient support to show an equitable allocation methodology. MCPA management stated that the total invoice amount was allocated across three (3) projects using a methodology based on the available budget within ongoing MCPA projects earmarked for such allocations.

**Auditor's Rebuttal:**

We reviewed the support and responses from MCPA and determined that the allocation methodology was based on budgeted figures and an after-the-fact review to demonstrate the allocation were align with the allocation based on budget was not performed after items were purchased and used.

As such, our finding and recommendations remain unchanged.

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**(3) Finding 2024-03:**

MCPA did not agree with the issue identified for Personnel costs in **Finding No. 2024-03** where the supporting national identification documentation showed an Afghanistan national identification number that did not match the employment contract. MCPA management stated that the discrepancy was caused by the transition from a manual Tazkira format to a computerized Tazkira format which shows different Afghanistan national identification numbers.

**Auditor's Rebuttal:**

MCPA did not provide support to show the identity of the employee was verified at the time costs were incurred. The national identification number found on the identification card and/or form did not match the employee's employment contract. MCPA confirmed that there was a discrepancy between the national identification number listed on the employment contract and the national identification documentation. MCPA attributed the mistake to human error and the transition from a manual to a computerized Tazkira format and revised the employment contracts after our review to address the discrepancies.

As such, our finding and recommendations remain unchanged.

**(4) Finding 2024-04:**

MCPA did not agree with the issue identified for Travel costs in **Finding No. 2024-04** where vehicles were rented without a vehicle rental agreement in place to outline the terms and conditions and vehicle use on the Program. MCPA management stated that in cases of one-time local transportation involving the shifting of items, they do not require formal agreements. Instead, they follow an internal procurement process for competitive bidding and sole source procurement.

**Auditor's Rebuttal:**

MCPA did not issue vehicle rental agreements to show the terms and conditions of the vehicle rental and whether the vehicle was used solely for the Program under audit. Furthermore, in the three (3) instances questioned, MCPA did not provide proof of competitive sourcing or an equitable evaluation for sole source procurements.

As such, our finding and recommendations remain unchanged.

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**(5) Finding 2024-05:**

MCPA did not agree with the issue identified for Indirect costs in **Finding No. 2024-05**. MCPA management stated at the time of procurement, the indirect cost funds were depleted so MCPA charged the laptop expense to the remaining direct cost budget. Per MCPA, the donor reviewed and approved the proposal without raising any objections or queries regarding the budget allocation.

**Auditor's Rebuttal:**

MCPA did not adhere to the award as it relates to the calculation of indirect costs based on the Modified Total Direct Cost (MTDC) base. According to the Grant Agreement, equipment costs are excluded from the MTDC base. During our review, we identified equipment costs which were misclassified as equipment maintenance and therefore were not properly excluded from the calculation of indirect costs.

As such, our finding and recommendations remain unchanged.

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## SIGAR's Mission

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