

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-30 Financial Audit

State's Capacity Support to Mine Action Coordination in Afghanistan: Audit of Costs Incurred by ITF Enhancing Human Security



JUNE
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 27, 2017, the U.S. Department of State (State) awarded a \$1,000,000 cooperative agreement to ITF Enhancing Human Security (ITF) to strengthen the Afghan government's capacity to coordinate mine action activities. The agreement required ITF to support the Afghanistan National Disaster Management Agency's Directorate for Mine Action Coordination and, among other things, provide quality assurance, post-demining impact assessments, and surveys of land contaminated with explosive remnants of war. State modified the agreement seven times; the total award amount increased to \$6,538,708, and the period of performance extended from September 30, 2018, through June 30, 2022.

SIGAR's financial audit, performed by Davis Farr LLP (Davis Farr) reviewed \$3,700,924 in costs charged to the agreement from October 1, 2018, through July 31, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in ITF's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether ITF has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of ITF's Special Purpose Financial Statement (SPFS). See Davis Farr'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 Davis Farr did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

June 2022

State's Capacity Support to Mine Action Coordination in Afghanistan: Audit of Costs Incurred by ITF Enhancing Human Security

SIGAR 22-30-FA

WHAT SIGAR FOUND

Davis Farr did not find any material weaknesses or significant deficiencies in ITF's internal controls, or any instances of noncompliance with the terms and conditions of the agreement. Accordingly, the auditors did not find any questioned costs.

Davis Farr reviewed 14 prior audit reports that were relevant to ITF's agreement. Of those, one report had two findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Davis Farr performed follow-up procedures and concluded that ITF had taken adequate corrective actions on all prior findings.

Davis Farr issued an unmodified opinion on ITF's SPFS, noting that it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

Davis Farr did not report any findings specific to the SPFS of the agreement under review. Therefore, SIGAR is not making any recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

June 8, 2022

The Honorable Antony Blinken
Secretary of State

We contracted with Davis Farr LLP (Davis Farr) to audit the costs incurred by ITF Enhancing Human Security (ITF) under a cooperative agreement from the U.S. Department of State (State) to strengthen the capacity of mine action coordination in Afghanistan.¹ The agreement required ITF to support the Afghanistan National Disaster Management Agency's Directorate for Mine Action Coordination and, among other things, provide quality assurance, post-demining impact assessments, and surveys of land contaminated with explosive remnants of war. Davis Farr reviewed \$3,700,924 in costs charged to the agreement from October 1, 2018, through July 31, 2021. Our contract with Davis Farr 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, Davis Farr did not report any findings related to the agreement under review. Therefore, SIGAR is not making any recommendations.

Davis Farr discusses the results of the audit in detail in the attached report. We reviewed Davis Farr's report and related documentation. Our review, as differentiated from an audit 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 ITF's Special Purpose Financial Statement. We also express no opinion on the effectiveness of ITF's internal control or compliance with the agreement, laws, and regulations. Davis Farr is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances in which Davis Farr did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-233)

¹ The agreement number is S-PMWRA-17-CA-1088.

ITF ENHANCING HUMAN SECURITY

Financial Audit of Costs Incurred Under
Cooperative Agreement No. S-PMWRA-17-CA-1088
Capacity Support to Mine Action Coordination in Afghanistan

For the period October 1, 2018 through July 31, 2021

ITF ENHANCING HUMAN SECURITY

Financial Audit of Costs Incurred Under
Cooperative Agreement No. S-PMWRA-17-CA-1088
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For the period October 1, 2018 through July 31, 2021

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May 4, 2022

ITF Enhancing Human Security
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SI-1000 Ljubljana, Slovenia

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

Enclosed is the final report on the financial audit of costs incurred by ITF Enhancing Human Security (ITF) under the U.S. Department of State (State) Cooperative Agreement No. S-PMWRA-17-CA-1088 to support the Capacity Support to Mine Action Coordination Project in Afghanistan. The audit covers the period October 1, 2018 through July 31, 2021.

Included within the final report is a summary of the work performed, our report on the Special Purpose Financial Statement, report on internal control and report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback and interpretations from the ITF, the Special Inspector General for Afghanistan Reconstruction and the U.S. Department of State. There were no findings or questioned costs identified as a result of our audit.

Sincerely,

DAVIS FARR LLP



Marcus D. Davis, CPA
Partner

ITF ENHANCING HUMAN SECURITY

Financial Audit of Costs Incurred Under
Cooperative Agreement No. S-PMWRA-17-CA-1088
Capacity Support to Mine Action Coordination in Afghanistan

For the period October 1, 2018 through July 31, 2021

Background

On September 27, 2017, the U.S. Department of State (State) awarded Cooperative Agreement No. S-PMWRA-17-CA-1088 (agreement) to ITF Enhancing Human Security (ITF) to support the Capacity Support to Mine Action Coordination project in Afghanistan. The purpose of the agreement was to support the Afghanistan National Disaster Management Agency – Directorate for Mine Action Coordination (ANDMA-DMAC) to strengthen Afghan ownership of mine action activities. ITF is required to provide all services, equipment, and necessary facilities to accomplish the agreement's requirements. These efforts include providing quality assurance, post-demining impact assessments, surveys of landmines and livelihood to increase ownership of the Afghan government and direct management abilities of the ANDMA-DMAC.

The initial awarded amount was \$1,000,000 for the period of performance from October 1, 2017, through September 30, 2018 plus two option years. After seven modifications to the agreement, the total awarded amount increased to \$6,538,708, and the period of performance was extended from September 30, 2018, through June 30, 2022.

ITF (previously named International Trust Fund for Demining and Mine Victims Assistance) is a humanitarian, non-profit organization established by the Government of the Republic of Slovenia in March 1998 with the initial purpose to help Bosnia and Herzegovina in the implementation of the peace agreement and to provide assistance and support in post-conflict rehabilitation. Since its inception, ITF has been continuously developing and strengthening its mission of enhancing safety as well as enabling the recovery and development of conflict affected countries by addressing the immediate and long-term impact of mine, explosive remnants of war and other hazards following armed violence. Thus, it has expanded its geographic area and scope of activities in order to address the problems of the ever-changing human security environment, the needs of beneficiary countries and the priorities of the donor community, basing its activities on strong partnerships, regional approach and the principles of transparency and accountability.

Work Performed

Davis Farr LLP (Davis Farr) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of ITF's Special Purpose Financial Statement (SPFS) for costs incurred under the agreement for the period October 1, 2018 through July 31, 2021. Total costs reported by ITF were \$3,700,924.

Objectives, Scope, and Methodology

Objectives Defined by SIGAR

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

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

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

- *Internal Controls* – Evaluate and obtain a sufficient understanding of ITF’s internal control related to the agreement; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether ITF complied, in all material respects, with the agreement requirements and applicable laws and regulations; and identify and report 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* – Determine and report on whether ITF has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Scope

The scope of this audit included \$3,700,924 of actual costs incurred for the period October 1, 2018 through July 31, 2021. The period of performance of the agreement is not yet complete. Our testing of the indirect cost rate was limited to verifying that the rate agreed to the calculated rate in the agreement. ITF does not have a negotiated indirect cost rate.

Methodology

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

Entrance Conference

An entrance conference was held via conference call on October 26, 2021 with representatives of Davis Farr, ITF, SIGAR and State.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of ITF;
- Reviewed the agreement and all modifications to date;
- Reviewed sections of the Code of Federal Regulations section 2 CFR Parts 200 and 600, as applicable to the agreement;
- Performed a financial reconciliation; and

ITF ENHANCING HUMAN SECURITY

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For the period October 1, 2018 through July 31, 2021

- Selected samples based on our approved sampling techniques. According to the approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports, and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high, moderate or low risk for inclusion in our test of transactions. All samples were selected on a judgmental basis. Our sampling methodology was as follows:
 - o For accounts that appear to contain unallowable and restricted items according to the terms of the agreement, 2 CFR Part 200 and any other applicable regulations, we sampled 100% of the transactions.
 - o For high risk cost categories, we sampled transactions greater than \$18,500, and additional transactions below \$18,500 to ensure that at least 50% of the total amount expended for each cost category was sampled.
 - o For moderate risk categories, we sampled transactions greater than \$37,000, and additional transactions below \$37,000 to ensure that at least 20% of the total amount expended for each cost category was sampled.
 - o Low risk categories consisted of supplies and indirect costs. For supplies, we sampled transactions to ensure that at least 10% of the total amount expended was sampled. Testing of indirect costs was limited to ensuring that the calculated rate per the agreement was correctly applied.

Internal Control Related to the SPFS

We reviewed ITF's internal control related to the SPFS. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. We corroborated internal control identified by ITF and conducted testing of select key controls to understand whether they were implemented as designed and operated effectively.

Compliance with Agreement Requirements and Applicable Laws and Regulations

We reviewed the agreement and modifications and documented all compliance requirements that could have a direct and material effect on the SPFS. We assessed inherent and control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance with the agreement requirements and laws and regulations.

Corrective Action on Prior Findings and Recommendations

We reached out to SIGAR, ITF and State and requested all reports from previous engagements, as well as searched publicly available information for other reports, in order to evaluate the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the

ITF ENHANCING HUMAN SECURITY

Financial Audit of Costs Incurred Under Cooperative Agreement No. S-PMWRA-17-CA-1088 Capacity Support to Mine Action Coordination in Afghanistan

For the period October 1, 2018 through July 31, 2021

SPFS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the agreement , modifications and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the agreement and reasonable. If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Partner as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

Exit Conference

An exit conference was held on March 10, 2022 via conference call. Participants included representatives from Davis Farr, ITF, SIGAR and State. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

Summary of Results

Our audit of the costs incurred by ITF under the agreement with State identified the following results:

Auditor's Opinion on SPFS

We issued an unmodified opinion on the fairness of the presentation of the SPFS. There were no findings or questioned costs identified as a result of the audit.

Summary of Findings and Questioned Costs

There were no findings or questioned costs identified as a result of the audit.

Internal Control Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered ITF's internal control over financial reporting and performed tests of those controls. The results of our tests disclosed no internal control weaknesses required to be reported under *Government Auditing Standards*. See Independent Auditor's Report on Internal Control on page 11.

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Compliance Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of ITF's compliance with certain provisions of the agreement and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed no instances of noncompliance related to this audit. See Independent Auditor's Report on Compliance on page 13.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Evidence of such items was not identified by our testing.

Review of Prior Findings and Recommendations

We requested from ITF, SIGAR and State copies of any prior engagements including audits, reviews, attestation engagements relate to ITF's activities under the agreement. We identified 14 prior reports, one of which contained two findings that could have a direct and material effect on the SPFS or other financial data significant to the audit objectives. We performed follow-up procedures, tested transactions, and reviewed documentation to determine if these issues occurred under our audit. Accordingly, we have concluded that ITF has taken adequate corrective actions on all prior findings. See the Status of Prior Findings on page 15 for a detailed description of the prior findings and recommendations.

**INDEPENDENT AUDITOR'S REPORT
ON SPECIAL PURPOSE FINANCIAL STATEMENT**

ITF Enhancing Human Security
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Office of the Special Inspector General for Afghanistan Reconstruction
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Arlington, Virginia 22202

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of ITF Enhancing Human Security (ITF) under Cooperative Agreement No. S-PMWRA-17-CA-1088 with the U.S. Department of State (State) for Capacity Support to Mine Action Coordination in Afghanistan for the period October 1, 2018 through July 31, 2021, and the related notes to the Special Purpose Financial Statement.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the methods of preparation described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements (including the Special Purpose Financial Statement) that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Special Purpose Financial Statement based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Special Purpose Financial Statement 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

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used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Special Purpose Financial Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by ITF under the Cooperative Agreement for the period October 1, 2018 through July 31, 2021 in accordance with the basis of accounting described in Note 2.

Restriction on Use

This report is intended for the information of ITF, State, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 USC 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 4, 2022 on our consideration of ITF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is solely 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 ITF's internal control over financial reporting and compliance.



Irvine, California
May 4, 2022

ITF ENHANCING HUMAN SECURITY

Financial Audit of Costs Incurred Under
Cooperative Agreement No. S-PMWRA-17-CA-1088
Capacity Support to Mine Action Coordination in Afghanistan

Special Purpose Financial Statement

For the Period October 1, 2018 through July 31, 2021

	Budget	Actual	Questioned Costs			Notes
			Ineligible	Unsupported	Total	
Revenues:						
S-PMWRA-17-CA-1088	\$ 6,538,708	\$ 3,764,163	\$ -	\$ -	\$ -	(3)
Total revenues	<u>6,538,708</u>	<u>3,764,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Personnel	3,432,458	1,824,783	-	-	-	
Fringe benefits	10,000	-	-	-	-	
Travel	553,871	240,671	-	-	-	
Supplies	75,508	50,759	-	-	-	
Other	2,039,105	1,341,886	-	-	-	
Indirect costs	<u>427,766</u>	<u>242,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	(4)
Total costs incurred	<u>6,538,708</u>	<u>3,700,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ 63,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(5)

See Notes to Special Purpose Financial Statement

ITF ENHANCING HUMAN SECURITY

Financial Audit of Costs Incurred Under
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Capacity Support to Mine Action Coordination in Afghanistan

Notes to Special Purpose Financial Statement¹

For the period October 1, 2018 through July 31, 2021

(1) **Background**

On September 27, 2017, the United States Department of State (State) awarded Cooperative Agreement No. S-PMWRA-17-CA-1088 (agreement) to ITF Enhancing Human Security (ITF) to support the Capacity Support to Mine Action Coordination in Afghanistan Project in Afghanistan. The purpose of the agreement was to support the Afghanistan National Disaster Management Agency – Directorate for Mine Action Coordination (ANDMA–DMAC) to strengthen Afghan ownership of mine action activities. ITF is required to provide all services, equipment, and facilities necessary to accomplish the agreement’s requirements. These efforts include providing quality assurance, post-demining impact assessments, surveys of landmines and livelihood to increase ownership of the Afghan government and direct management abilities of the DMAC.

The initial awarded amount was \$1,000,000 for the period of performance from October 1, 2017, through September 30, 2018 plus two option years. After seven modifications to the agreement, the total awarded amount increased to \$6,538,708, and the period of performance was extended from September 30, 2018 through June 30, 2022.

ITF (previously named International Trust Fund for Demining and Mine Victims Assistance) is a humanitarian, non-profit organization established by the Government of the Republic of Slovenia in March 1998 with the initial purpose to help Bosnia and Herzegovina in the implementation of the peace agreement and to provide assistance and support in post-conflict rehabilitation. Since its inception, ITF has been continuously developing and strengthening its mission of enhancing safety as well as enabling the recovery and development of conflict affected countries by addressing the immediate and long-term impact of mine, explosive remnants of war and other hazards following armed violence. Thus, it has expanded its geographic area and scope of activities in order to address the problems of the ever-changing human security environment, the needs of beneficiary countries and the priorities of the donor community, basing its activities on strong partnerships, regional approach and the principles of transparency and accountability.

(2) **Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred for the Project for the period October 1, 2018 through July 31, 2021. Because the SPFS presents only a selected portion of the operations of ITF, it is not intended to and does not present the financial position, changes in financial position, or cash flows of ITF. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), accounting principles generally accepted in the United States of America, and is specific to the aforementioned agreement.

¹ The Notes to the Special Purpose Financial Statement with a numeric identifier are the responsibility of ITF.

ITF ENHANCING HUMAN SECURITY

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Notes to Special Purpose Financial Statement¹

For the period October 1, 2018 through July 31, 2021

(Continued)

(2) **Summary of Significant Accounting Policies**

Basis of Accounting

The SPFS was prepared on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when received and expenses are recognized when paid. Expenses are recognized following the cost principles contained in 2 CFR 200 Subpart E, wherein certain types of expenses are not allowable or are limited as to reimbursement.

Currency

The SPFS is presented in U.S. dollars. ITF converts any expenses that were paid in Afghanis (local currency) into U.S. dollars (reporting currency) by using the last actual conversion rate for transfers made to move funds between its U.S. dollar account and the Afghani account.

(3) **Revenue**

ITF reported revenue of \$3,764,163 for the period October 1, 2018 through July 31, 2021.

(4) **Indirect Costs**

ITF does not have a negotiated indirect cost rate. The indirect cost rate is per the agreement as approved by State and set at 7.00% of total direct costs.

(5) **Outstanding Fund Balance**

As of July 31, 2021, there was an outstanding fund balance reported in the amount of \$63,239. Because the SPFS is prepared on the cash basis of accounting, receipts totaling \$94,293 were received in October 2018, but related to periods prior to October 2018.

(6) **Subsequent Events**

ITF has evaluated subsequent events through May 4, 2022, which is the date the SPFS was available to be issued. There were no events subsequent to this date that would impact the SPFS.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

ITF Enhancing Human Security
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Lj, Slovenia

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement of ITF Enhancing Human Security (ITF) under Cooperative Agreement No. S-PMWRA-17-CA-1088 with the U.S. Department of State (State) for the Capacity Support to Mine Action Coordination in Afghanistan for the period October 1, 2018 through July 31, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated May 4, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement, we considered ITF's internal control over financial reporting (internal control) as a basis for designing audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of ITF's internal control. Accordingly, we do not express an opinion on the effectiveness of ITF's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during

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our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the entity'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.

This report is intended for the information of ITF, State, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. 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.



Irvine, California
May 4, 2022

**REPORT ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

ITF Enhancing Human Security
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We have audited, 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, the Special Purpose Financial Statement of ITF Enhancing Human Security (ITF) under Cooperative Agreement No. S-PMWRA-17-CA-1088 with the U.S. Department of State (State) for the Capacity Support to Mine Action Coordination in Afghanistan for the period October 1, 2018 through July 31, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated May 4, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ITF's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and the aforementioned agreement, noncompliance with which could have a direct and material effect on the determination of Special Purpose 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 no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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 internal control. Accordingly, this communication is not suitable for any other purpose.

ITF Enhancing Human Security
Zabrv 12 SI-1292
Lg, Slovenia

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

This report is intended for the information of ITF, State, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. 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.

Darin Fennell

Irvine, California
May 4, 2022

ITF ENHANCING HUMAN SECURITY

Financial Audit of Costs Incurred Under
Cooperative Agreement No. S-PMWRA-17-CA-1088
Capacity Support to Mine Action Coordination in Afghanistan

Status of Prior Audit Findings

For the period October 1, 2018 through July 31, 2021

We requested from ITF, SIGAR and State copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to ITF's activities under the agreement. We reviewed 14 prior audit reports, which consisted of six annual financial audits, six agreed-upon procedures reports of factual findings, one pillar assessment and one financial audit of costs incurred. Of these reports, we determined that only one financial audit of costs incurred contained two findings that could have a direct and material effect on the SPFS or other financial data significant to the audit objectives. We have performed follow up procedures including discussion with management, reviewed revised policies and procedures and conducted testing of similar areas surrounding these issues. Accordingly, we have concluded that ITF had taken adequate corrective actions on all prior findings and these findings were not repeated under this audit. The summary of prior audit findings that could have a potential material effect on the SPFS are listed below:

Audit Report: SIGAR 20-13 Financial Audit "Department of State's Efforts to Support Activities Related to Removing Landmines and Unexploded Weapons in Afghanistan: Audit of Costs Incurred by ITF Enhancing Human Security" for the period March 1, 2014 to September 30, 2018, which was conducted by Conrad LLP and issued by SIGAR on December 5, 2019

- **Finding 1: Exclusion and Anti-Terrorist Checks Not Performed Timely:** The audit firm noted that ITF did not perform exclusion and anti-terrorist checks prior to procurement or hire.

Status: We reviewed revised procedures and noted that ITF requires its employees to ensure exclusion and anti-terrorist checks are performed for new vendors and new hires. Additionally, we noted that ITF held a training for its Kabul staff regarding exclusion and anti-terrorist checks. Finally, we tested 425 transactions and noted that all transactions contained evidence that exclusion and anti-terrorist checks were performed. As such, the corrective action plan has been adequately implemented.

- **Finding 2: Insufficient Internal Controls Over Cash Management Process:** The audit firm noted that ITF had insufficient internal controls over its cash management process wherein ITF reconciled the cash in Afghanistan on an annual basis and that there was a lack of segregation of duties.

Status: We reviewed internal controls over the cash management process and noted that ITF has implemented controls to ensure proper segregation of duties and to conduct cash counts on a more frequent basis. ITF is also performing reviews of its cash on a monthly basis and has multiple staff review and approve all cash and financial documents. As such, the corrective action plan has been adequately implemented.

SIGAR's Mission

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

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

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- Phone DSN International: 312-664-0378
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SIGAR's Mission

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