

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-32 Financial Audit

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

**In accordance with legal requirements, SIGAR has redacted certain information deemed
proprietary or otherwise sensitive from this report**



JULY
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On June 9, 2018, the U.S. Agency for International Development (USAID) Mission to Afghanistan awarded a 5-year, \$55,672,170 cost-plus-fixed-fee contract to DAI Global LLC (DAI) to implement the Afghanistan Value Chains–Livestock Activity. The contract consisted of a 3-year base period and a 2-year option. The purpose of the activity is to provide support for poultry, livestock, and dairy product value chains in Afghanistan. USAID modified the contract eight times; the total award amount and period of performance, ending June 8, 2023, did not change.

SIGAR's financial audit, performed by Castro & Company LLC (Castro), reviewed \$16,560,893 in costs charged to the contract from December 1, 2019, through July 31, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in DAI's internal controls related to the contract; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether DAI has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of DAI's Special Purpose Financial Statement (SPFS). See Castro's report for the precise audit objectives.

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

July 2022

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

SIGAR 22-32-FA

WHAT SIGAR FOUND

Castro identified two deficiencies in DAI's internal controls, which Castro also categorized as instances of noncompliance with the terms of the contract. Specifically, DAI did not maintain accurate property records, as the value of certain items was incorrectly recorded in US dollars rather than in the currency used to actually purchase the items. Additionally, DAI was late in submitting three of the seven quarterly financial reports Castro reviewed. Castro did not identify any questioned costs.

Castro identified six prior audit reports that were relevant to DAI's contract. The reports had 14 findings that could have a material effect on the SPFS. Castro performed follow-up procedures and concluded DAI took adequate corrective action on 12 of the 14 findings. Castro found that DAI did not adequately address recommendations related to inaccurate property records.

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

WHAT SIGAR RECOMMENDS

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

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



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 6, 2022

The Honorable Samantha Power
Administrator, U.S. Agency for International Development

Mr. Peter Duffy
Mission Director, U.S. Agency for International Development

We contracted with Castro & Company LLC (Castro) to audit the costs incurred by DAI Global LLC (DAI) under a U.S. Agency for International Development (USAID) contract to implement the Afghanistan Value Chains–Livestock Activity.¹ The purpose of the activity is to provide support for poultry, livestock, and dairy product value chains. Castro reviewed \$16,560,893 in costs charged to the contract from December 1, 2019, through July 31, 2021. Our contract with Castro required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

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

Castro discusses the results of the audit in detail in the attached report. We reviewed Castro's report and related documentation, and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on DAI's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Castro is responsible for the attached auditor's report, dated May 19, 2022, and the conclusions expressed therein. However, our review disclosed no instances where Castro did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-226)

¹ The contract number is 72030618C00011.



DAI Global, LLC
Financial Audit of Costs Incurred
For Contract No. 72030618C00011
For the period of December 1, 2019 through July 31, 2021
(With Independent Auditor's Report Theron)

May 19, 2022

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00011
For the Period of December 1, 2019 through July 31, 2021

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Transmittal Letter

May 19, 2022

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

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

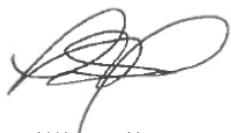
We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during our audit of the Special Purpose Financial Statement (the Statement) applicable to DAI Global, LLC's (DAI) Contract No. 72030618C00011 with the United States Agency for International Development (USAID), funding the Afghanistan Value Chains – Livestock activity (herein referred to as “AVC-Livestock” or “activity”) for the period of December 1, 2019 through July 31, 2021.

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'MS' or similar initials, with a stylized flourish.

Millie Seijo, CPA, Partner
Castro & Company, LLC

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00011
For the Period of December 1, 2019 through July 31, 2021

Summary

Background

On June 9, 2018, the United States Agency for International Development (USAID) Mission to Afghanistan awarded a performance-based completion-type Cost-Plus-Fixed-Fee (CPFF) contract (Contract No. 72030618C00011) to DAI Global, LLC (DAI) for the implementation of the Afghanistan Value Chains – Livestock activity (herein referred to as “AVC-Livestock” or “activity”). The purpose of the activity is to provide support for poultry, livestock, and dairy product value chain activities. The period of performance of this contract is June 9, 2018 through June 8, 2023. The contract includes a three-year base period plus a two-year option. The total estimated cost and fixed-fee for the three-year base period and two-year option period is \$55,672,170, which is comprised of [REDACTED] in total estimated costs and [REDACTED] in fixed fees. This contract has been modified eight times with no changes to the period of performance or the total amount of the award. This contract is ongoing and has not been cancelled or modified to reflect the current situation in Afghanistan.

The audit’s scope included activity within the period of December 1, 2019 through July 31, 2021. Within the period under audit, DAI reported \$16,560,893 in total revenue, which consisted of [REDACTED] in reimbursable costs and [REDACTED] in fixed fee earned under the contract.

Work Performed

Castro & Company, LLC (Castro) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of DAI’s Special Purpose Financial Statement (the Statement) for costs incurred under Contract No. 72030618C00011 for the period of December 1, 2019 through July 31, 2021.

Objectives Defined by SIGAR

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

Audit Objective 1 – Internal Controls

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

Audit Objective 2 – Special Purpose Financial Statement

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

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Audit Objective 3 – Compliance

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

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

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

Scope

The scope of our work included performing a financial audit of costs incurred of DAI's Contract No. 72030618C00011 for the period of December 1, 2019 through July 31, 2021. The audit was limited to those matters and procedures pertinent to the contract that have a direct and material effect on the Statement. The audit also included an evaluation of the presentation, content, and underlying records of the Statement. Further, the audit included reviewing the financial records that support the Statement to determine if there were material misstatements and if the Statement was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

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

Finally, we expressed an opinion on the Statement and are reporting our findings and questioned costs, either ineligible and/or unsupported, regardless of any amount. Our audit was performed in accordance with United States Generally Accepted Government Auditing Standards (GAGAS or the "Yellow Book") issued by the Comptroller General of the U.S. Government Accountability Office (GAO) (2018 Revision).

Methodology

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

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Entrance Conference

An entrance conference was held via conference call on October 19, 2021. Participants included representatives from Castro, DAI, SIGAR, and USAID. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

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

Audit Objective 1 – Internal Controls

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

Audit Objective 2 – Special Purpose Financial Statement

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

Audit Objective 3 – Compliance

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

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Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Castro inquired of DAI, SIGAR, and USAID representatives regarding prior audits, reviews, or assessments that were pertinent to the audit scope. Castro also conducted an independent search of publicly available information to identify audit and review reports. As a result, we identified 12 prior reports. In each instance, Castro reviewed prior audit reports to ascertain whether findings may be direct and material to the audit objectives. In instances where findings were determined to be potentially material to the audit objectives, Castro reviewed the prior audit reports to determine whether corrective action from any of the prior findings and recommendations was denoted as unresolved, inadequate, or otherwise incomplete such that additional follow-up is necessary. See **Schedule II: Summary Schedule of Prior Audit, Review, and Assessment of Findings**.

Exit Conference

An exit conference was held on April 6, 2022 via a conference call. Participants included representatives from Castro, DAI, SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

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

Castro reported on both DAI's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the contract. Two deficiencies in internal control were identified. Both findings were also classified as instances of noncompliance. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding. See Independent Auditor's Report on Internal Control on page 13 and Independent Auditor's Report on Compliance on page 15.

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

In response to the identified instances of noncompliance, Castro did not identify any questioned costs. SIGAR requires questioned costs to be classified as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by the audited contract or applicable laws and regulations, or that are unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or did not have the required prior approvals or authorizations.

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

Castro also requested copies of prior audits, reviews, and evaluations pertinent to DAI's financial performance under this contract. Six of the 12 prior audits referenced above contained audit findings and recommendations that were direct and material to the award. From those six reports, Castro identified 14 findings that were subject to review. Castro conducted procedures to determine whether adequate corrective action had been taken on the 14 findings. Castro concluded that DAI had taken adequate corrective action on 12 of the 14 prior year findings; however, DAI did not take adequate corrective action on two of the 14 findings as Castro noted similar issues in our current audit related to inaccurate property records. See **Schedule II: Summary Schedule of Prior Audit, Review, and Assessment of Findings**.

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

Summary of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2022-01	Inaccurate Property Records	Internal Control – Deficiency and Noncompliance	\$ -
2022-02	Noncompliance with Submission of Quarterly Financial Reports	Internal Control – Deficiency and Noncompliance	\$ -
Total Questioned Costs			\$ -

Summary of Management Comments

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

1. **Finding 2022-01:** DAI concurred with this finding. DAI noted that the original currency of acquisition was transposed into the column supposed to show the equivalent value of the non-expendable property (NXP) items in U.S. dollars, giving rise to the flagged inaccuracies. Additionally, DAI agreed with Castro in that the actual cost of acquisition was recorded correctly in the Project's General Ledger. DAI confirmed that they will further systemize the review and reconciliation process and will schedule a comprehensive internal control training to Home Office project management staff to emphasize the

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importance of maintaining and submitting timely and accurate annual inventory reports to USAID.

2. **Finding 2022-02:** DAI concurred with this finding. DAI noted that the first two reports were late due to an unexpected turnover in key project management team personnel. Additionally, the third report was late and exacerbated by the imminent collapse of the Afghan government. DAI confirmed that moving forward they will ensure that a deliverable calendar is actively monitored by senior management and is included in the agenda of weekly home/field office calls to ensure prompt preparation and submission.

No rebuttal is deemed necessary as DAI concurred with the findings and recommendations within this report.

Independent Auditor's Report on the Special Purpose Financial Statement

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

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

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement (the Statement) of DAI Global, LLC (DAI), and the related notes to the Statement, with respect to the Afghanistan Value Chains – Livestock activity (herein referred to as “AVC-Livestock” or “activity”), funded by the United States Agency for International Development (USAID) Contract No. 72030618C00011 for the period of December 1, 2019 through July 31, 2021.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and terms and conditions of Contract No. 72030618C00011. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Statement referred to above pertaining to Contract No. 72030618C00011 presents fairly, in all material respects, the revenues earned, costs incurred, and balance for the indicated period in accordance with the basis of presentation and accounting described in Notes 1, 2, 4, 5 and 6.

Basis of Presentation and Accounting

We draw attention to Notes 1, 2, 4, 5, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement presents those amounts as permitted under the terms of the USAID Contract No. 72030618C00011, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the contract referred to above. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 12, 2022, on our consideration of DAI's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DAI's internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of DAI, USAID, and SIGAR. 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.



Alexandria, VA
April 12, 2022

DAI Global, LLC
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Contract No. 72030618C00011
For the Period of December 1, 2019 through July 31, 2021

Special Purpose Financial Statement¹

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>		<u>Total</u>	<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>		
<i>Revenues</i>						
Contract No. 72030618C00011	55,672,170	16,560,893	-	-	-	
Total Revenue	\$ 55,672,170	\$ 16,560,893	\$ -	\$ -	\$ -	1, 2, 4
<i>Costs Incurred</i>						5
Direct Labor/Personnel/Salaries			-	-	-	
Fringe Benefits			-	-	-	
Travel, Transportation, and Per Diem			-	-	-	
Equipment/Supplies			-	-	-	
Allowances			-	-	-	
Subcontracts			-	-	-	
Other Direct Costs						
Security Costs						
Indirect Costs – Overhead						
General & Administrative						
Total Costs Incurred	\$	\$	\$ -	\$ -	\$ -	
Fixed Fee			-	-	-	
Total Costs-Plus-Fixed-Fee	\$ 55,672,170	\$ 16,560,893	\$ -	\$ -	\$ -	
 Outstanding Balance	 \$ -	 \$ -				 6

¹ The accompanying notes to the Special Purpose Financial Statement are an integral part of this Statement.

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Notes to the Special Purpose Financial Statement

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the Statement) includes costs billed under Contract No. 72030618C00011 for costs incurred in Afghanistan under the Afghanistan Value Chains – Livestock activity (herein referred to as “AVC-Livestock” or “activity”) for the period December 1, 2019 through July 31, 2021. Because the Statement presents only a selected portion of the operations of DAI Global LLC (DAI), it is not intended to and does not present the financial position, changes in net assets, or cash flows of DAI.

Note 2. Summary of Significant Accounting Policies

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

Notes 3. Foreign Currency Conversion Method

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

Note 4. Revenues

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

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

Note 5. Costs Incurred by Budget Category

The budget categories presented, and associated amounts reflect the budget line items within the final USAID approved budget under Contract No. 72030618C00011. Actual expenditures match

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the approved budget categories for the contract. The budget amount covers an initial three-year base plus a two-year option period of the award.

Note 6. Balance

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

Note 7. Currency

All amounts presented are shown in United States dollars.

Note 8. Activity Status

The AVC-Livestock Contract No. 72030618C00011 remains active to date. The three-year base period plus the two-year option period exercised via Modification 7 signed on May 6, 2021, is scheduled to conclude on June 8, 2023.

Note 9. Cost Sharing

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

Note 10. Other

The COVID-19 pandemic developed rapidly in 2020 and carried over into 2021. DAI has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our staff (such as social distancing and working from home, where feasible) while ensuring continuation of operations that is essential to the attainment of project objectives.

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

Note 11. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the December 1, 2019 through July 31, 2021 period covered by the Statement. Management has performed their analysis through April 12, 2022 the date through which the Statement was available to be issued. Outside of the withdrawal from Afghanistan as noted in Note 10 above,

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DAI concluded that no additional subsequent events have occurred that would require recognition or disclosure in the Statement.

Independent Auditor's Report on Internal Control

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

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

We have audited, the Special Purpose Financial Statement (the Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by DAI Global, LLC (DAI) under Contract No. 72030618C00011, Afghanistan Value Chains – Livestock activity (herein referred to as “AVC-Livestock” or “activity”), for the period of December 1, 2019 through July 31, 2021. We have issued our report thereon dated April 12, 2022 with an unmodified opinion.

Internal Control over Financial Reporting

DAI's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Notes 1, 2, 4, 5, and 6 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement, we considered DAI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of DAI's internal control. Accordingly, we do not express an opinion on the effectiveness of DAI'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 DAI Statement 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 second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. We did identify two deficiencies in internal control as described in the accompanying **Schedule of Findings and Questioned Costs**. Findings 2022-01 and 2022-02 are considered to be deficiencies.

DAI's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results 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.

Restriction on Use

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

A handwritten signature in black ink that reads "Castro & Company, LLC". The signature is written in a cursive, flowing style.

Alexandria, VA
April 12, 2022

Independent Auditor's Report on Compliance

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

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

We have audited, the Special Purpose Financial Statement (the Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by DAI Global, LLC (DAI) under Contract No. 72030618C00011, Afghanistan Value Chains – Livestock (herein referred to as “AVC-Livestock” or “activity”), for the period of December 1, 2019 through July 31, 2021. We have issued our report thereon dated April 12, 2022 with an unmodified opinion.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the contract is the responsibility of the management of DAI.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DAI's Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the contract, noncompliance with which could have a direct and material effect on the determination of the Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two 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 2022-01 and 2022-02.

DAI's Response to Findings

DAI's response to the findings identified in our audit is included verbatim in **Appendix A** within this report. DAI's response was not subjected to the auditing procedures applied in the audit of the 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.

Restriction on Use

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

Castro & Company, LLC

Alexandria, VA
April 12, 2022

DAI Global, LLC
Financial Audit of Costs Incurred
Contract No. 72030618C00011
For the Period of December 1, 2019 through July 31, 2021

Schedule I – Schedule of Findings and Questioned Costs

Finding 2022-01: Inaccurate Property Records (Internal Control – Deficiency and Noncompliance)

Condition: DAI Global, LLC (DAI) did not maintain accurate property records in accordance with Federal requirements. We examined 11 of 750 property records supporting DAI's AVC-Livestock's inventory. Castro noted that the acquisition unit costs for three of the samples were recorded as USD in error, as the amounts actually represented the Afghani (AFN) unit purchase price, which had not been converted to USD within the report. While the inventory report was incorrectly stated, Castro verified that the costs were correctly recorded within the General Ledger. The exceptions were noted on the following sample selections and corresponding DAI code numbers:

Sample Number	DAI Code Number	Unit Cost per Annual Inventory of Government Property Report	Unit Cost per Source Records	Difference
1	AVC-Livestock 0001245	\$ 847,500	\$ 11,345	\$ 836,155
2	AVC-Livestock 0001560	\$ 182,200	\$ 2,369	\$ 179,831
5	AVC-Livestock 0001010	\$ 58,049	\$ 773	\$ 57,276
Total		\$ 1,087,749	\$ 14,487	\$ 1,073,262

Criteria:

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

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

(A) Property records shall enable a complete, current, auditable record of all transactions and shall, unless otherwise approved by the Property Administrator, contain the following: ...

(3) Unit acquisition cost”

DAI's Field Manual, *Procedure 9.6: Inventory Management (Revision 11.0)*, states in part:

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

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

- Unit or purchase price (Can be entered in local currency, but must be stated in dollars when reporting to the client).”

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Cause: DAI stated that the use of the incorrect currency was an error. DAI's procedures for overseeing and managing government property do not require detailed review to detect currency entry errors to ensure that accurate amounts are reported.

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

Questioned Costs: None. DAI erroneously recorded acquisition unit costs in USD; however, the amount was not recorded in DAI's accounting system nor billed to USAID. As a result, no costs are in question.

Recommendation: We recommend DAI:

1. Improve procedures for maintaining property records in accordance with the FAR to ensure property record-keeping accurately reflects the current cost of government property held under the activity including procedures for reviewing and validating the USD value of inventory items within the system.

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Finding 2022-02: Noncompliance – Quarterly Financial Reports Submitted Late (Internal Control – Deficiency and Noncompliance)

Condition: As part of our compliance testing, we reviewed seven quarterly financial reports. We noted three reports were not submitted in a timely manner in accordance with the contract deliverable due dates as noted below:

Reporting Deliverable	Due Date	Date Submitted	Days Late
Quarterly Financial Report for FY 2020 Q3	7/15/2020	8/18/2020	34
Quarterly Financial Report for FY 2021 Q1	1/15/2021	1/26/2021	11
Quarterly Financial Report for FY 2021 Q3	7/15/2021	10/15/2021	92

Criteria:

Contract No. 27030618C00011, *Part I – The Schedule, Section F: Deliveries or Performance, F.4 Plans and Reports, C. Reporting Matrix*, states in part:

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

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

Cause: DAI does not have adequate procedures and controls in place to ensure quarterly reports are submitted to USAID by dates specified in the contract. Additionally, DAI noted that FY21 Q3 was impacted by staff turnover and internal attention was focused on preparing documentation for the option years, both of which contributed to the delay in the Q3 submission.

Effect: USAID may have been unable to fully monitor DAI’s financial progress and performance under the contract and fully understand the projects’ programmatic impacts.

Questioned Costs: None. This finding related to the late submission of quarterly financial reports to USAID and not costs incurred under the award. We did not identify any costs that would be deemed unallowable during our procedures.

Recommendation: We recommend DAI:

1. Implement procedures and corresponding controls to monitor the submission of deliverables and internal reviews to ensure compliance with contractual deliverables and deadlines.

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Schedule II – Summary Schedule of Prior Audit, Review, and Assessment of Findings

Castro reviewed 12 prior audits, reviews, or assessment reports. Ten of the reports contained findings and recommendations. We assessed the findings to ascertain whether the matters reported in the findings were direct and material to the Special Purpose Financial Statement (the Statement) or other financial information significant to the audit objectives. In addition, we reviewed the auditors' comments regarding the status of prior audit findings.

The reports reviewed by Castro are listed below:

1. SIGAR Audit No. 22-13 USAID's Afghanistan Competitiveness of Export-Oriented Business Activity: Audit of Costs Incurred by DAI Global, LLC
2. SIGAR Audit No. 22-10 USAID's Regional Agricultural Development Program – East in Afghanistan: Audit of Costs Incurred by DAI Global, LLC
3. SIGAR Audit No. 22-09 USAID's Women in the Economy Program in Afghanistan: Audit of Costs Incurred by DAI Global, LLC
4. SIGAR Audit No. 22-07 USAID's Musharikat Program to Increase Afghan Women's Equality and Empowerment: Audit of Costs Incurred by DAI Global, LLC
5. SIGAR Audit No. 21-13 USAID's Strong Hubs for Afghan Hope and Resilience Program: Audit of Costs Incurred by DAI Global, LLC
6. SIGAR Audit No. 20-16 USAID's Women in the Economy Project: Audit of Costs Incurred by DAI Global, LLC
7. SIGAR Audit No. 20-14 USAID's Assistance to the Legislative Bodies of Afghanistan Project: Audit of Costs Incurred by DAI Global, LLC
8. SIGAR Audit No. 19-42 USAID's Strong Hubs for Afghan Hope and Resilience: Audit of Costs Incurred by DAI Global, LLC
9. SIGAR Audit No. 19-41 USAID's Regional Agricultural Development Program in Northern Afghanistan: Audit of Costs Incurred by DAI Global, LLC
10. SIGAR Audit No. 18-61 USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc.
11. SIGAR Audit No. 18-05 Department of Defense Task Force for Business and Stability Operations' Afghanistan Indigenous Industries Program: Audit of Costs Incurred by DAI Global, LLC
12. USAID Financial Audit of Costs Incurred under a Contracts No. 306-AID-OAA-C-17-00090, 306-AID-306-C-14-00002, 306-AID-306-TO-15-00062, 306-AID-306-C-14-00016, 306-AID-306-TO-15-00073, 306-AID-306-C-16-00011, 306-AID-306-BC-15-0005, 306-72030618C00011, and 306-72030618C00013 for the periods of September 28, 2017 to November 30, 2018, January 1, 2018 to November 30, 2018, July 1, 2018 to November 30, 2018, December 1, 2017 to November 30, 2018, January 1, 2018 to November 30, 2018, January 1, 2018 to November 30, 2018, January 1, 2018 to November 30, 2018, June 6, 2018 to November 30, 2018, and August 2, 2018 to November 30, 2018, respectively.

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Per our review of the reports, Castro identified 14 prior findings that required follow-up on corrective action.

Report: SIGAR Financial Audit No. 22-13 dated February 10, 2022 of costs incurred under a Contract No. 72030619C00008 for the period of January 27, 2020 through January 31, 2021

Finding 2021-01: Ten timesheets of 409 tested, were prepared and submitted by employees prior to pay period end. Of these 10 timesheets, two were approved by the supervisor prior to pay period end. Documentation to support that a subsequent review of accuracy for actual hours worked was not provided.

Status: Castro performed procedures over payroll costs incurred, including controls over timesheet preparation and approval. Based on our testing for this engagement, this issue was not repeated.

Finding 2021-02: One instance of unallowable business class airfare was noted. A DAI employee had elected to cover the difference between the economy fare and business class ticket; however, the entire business class cost was mistakenly charged to the program.

Status: Castro performed procedures over travel costs incurred, including controls to ensure that unallowable business class costs are not charged to the program within the scope of our audit. Based on our testing for this engagement, this issue was not repeated.

Report: SIGAR Financial Audit No. 22-10 dated August 9, 2021 of costs incurred under a Contract No. AID-306-C-16-00011 for the period of December 1, 2019 through July 20, 2020

Finding 2020-01: The amounts presented in the Statement were inconsistent with the accounting policies described in the Notes to the Statement. DAI excluded costs incurred in the audit period due to DAI using a different basis of accounting to recognize when these costs were incurred. Additionally, DAI did not provide evidence of management's review and approval of the initial Statement, the initial Statement header was incorrect for the audit period and Note 4 to the Statement initially did not include a description of the fees earned under the contract. DAI corrected these presentation errors prior to report finalization.

Status – During our planning procedures, we reconciled the general ledger detail to the Statement and noted that some costs which fell outside of the scope of the audit period of December 1, 2019 through July 31, 2021 were included in the costs which tied to the Statement. However, the costs incurred associated with these transactions net to zero and the entries represent the true-up of indirect costs within the general ledger. As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

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Report: SIGAR Financial Audit No. 22-09 dated August 27, 2021 of costs incurred under a Contract No. AID-306-TO-15-00062 for the period of December 1, 2019 through August 31, 2020

Finding 2020-01: The amounts presented in the Statement were inconsistent with the accounting policies described in the Notes to the Statement. DAI included costs incurred prior to the audit period, which is inconsistent with Note 2 to the Statement. Within Note 4 to the initial Statement, revenue did not include a description of the fees earned under the Task Order; however, DAI corrected the note in the final Notes to the Statement presented in the report.

Status: During our planning procedures, we reconciled the general ledger detail to the Statement and noted that some costs which fell outside of the scope of the audit period of December 1, 2019 through July 31, 2021 were included in the costs which tied to the Statement. However, the costs incurred associated with these transactions net to zero and the entries represent the true-up of indirect costs within the general ledger. As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

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

Status: During our testing of DAI's inventory listing of government property, we did not note instances in which DAI excluded the dates placed in service; however, we did note instances in which DAI did not maintain accurate property records in accordance with the Federal requirements. As a result, Castro determined that similar issues were noted, and this is a repeat condition for DAI related to the Afghanistan Value Chains – Livestock activity (herein referred to as "AVC-Livestock" or "activity") during the period of December 1, 2019 to July 31, 2021.

Report: SIGAR Financial Audit No. 22-07 dated August 16, 2021 of costs incurred under a Contract No. AID-306-TO-15-00073 for the period of December 1, 2019 through September 1, 2020

Finding 2020-01: The amounts presented in the Statement were inconsistent with the accounting policies described in the Notes to the Statement. DAI excluded costs incurred in the audit period due to DAI using a different basis of accounting to recognize when these costs were incurred. Additionally, Note 4 to the Statement initially did not include a description of the fees earned under the contract and the budget figures reported on the Statement did not agree to Modification 12 of the Task Order.

Status – During our planning procedures, we reconciled the general ledger detail to the Statement and noted that some costs which fell outside of the scope of the audit period of December 1, 2019 through July 31, 2021 were included in the costs which tied to the Statement. However, the costs

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incurred associated with these transactions net to zero and the entries represent the true-up of indirect costs within the general ledger. As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

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

Status: During our testing of DAI's inventory listing of government property, we noted instances in which DAI did not maintain accurate property records in accordance with the Federal requirements. As a result, Castro determined that similar issues were noted, and this is a repeat condition for DAI related to the AVC-Livestock during the period of December 1, 2019 to July 31, 2021.

Report: SIGAR Financial Audit No. 20-16 dated June 6, 2019 of costs incurred under a Contract No. AID-306-TO-15-00062 for the period of July 1, 2015 through June 30, 2018

Finding 2019-01: DAI did not provide evidence that it received approval from USAID's Contracting Officer (CO) prior to submission of the invoice which included a fixed fee charge.

Status: The Women in Economy Task Order (AID-306-TO-15-0062) has concluded on August 31, 2020 (end of performance period). DAI confirmed that it has appropriately obtained CO's approval before billing all subsequent fixed fee deliverables through end of contract performance. As part of our audit procedures, we selected a sample of fixed fee transactions to test, and did not identify similar instances of noncompliance. As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

Finding 2019-02: DAI's indirect costs claimed under General and Administration (G&A) costs were calculated incorrectly.

Status: DAI confirmed that the assigned Project Billing Accountant works with the Oracle Analyst when creating a new subproject or task number and verifies their projects against the burden schedule setup in Oracle and the DAI Burden Schedule Detail Report to ensure applicable indirect costs ceiling on the project are being applied correctly. DAI stated no other instances of rate discrepancies have been identified through the end of contract performance billing under the Women in Economy Task Order (AID-306-TO-15-0062), which concluded on August 31, 2020. During our procedures we performed a recalculation of the applied indirect rates and noted no material variances between the amounts reported and our calculation. As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

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Report: USAID Financial Audit dated April 15, 2020 of costs incurred under a Contracts No. 306-AID-OAA-C-17-00090, 306-AID-306-C-14-00002, 306-AID-306-TO-15-00062, 306-AID-306-C-14-00016, 306-AID-306-TO-15-00073, 306-AID-306-C-16-00011, 306-AID-306-BC-15-0005, 306-72030618C00011, and 306-72030618C00013 for the periods of September 28, 2017 to November 30, 2018, January 1, 2018 to November 30, 2018, July 1, 2018 to November 30, 2018, December 1, 2017 to November 30, 2018, January 1, 2018 to November 30, 2018, January 1, 2018 to November 30, 2018, January 1, 2018 to November 30, 2018, June 6, 2018 to November 30, 2018, and August 2, 2018 to November 30, 2018, respectively.

Finding 2020-01: DAI was unable to provide evidence to support that the annual inventory of Government Property reports for four of the nine audited contracts were submitted to USAID in accordance with AIDAR 752.245-70(b).

Status: DAI delivered yearly Field Procurement Training to relevant project staff and Internal Audit and Compliance compiled a presentation for the Home Office Middle East, North Africa (MENA) region senior management team on April 28, 2020. During our Reporting Compliance testing, we confirmed that DAI provided adequate documentation to substantiate that it submitted all inventory of government property reports related to AVC-Livestock by the due date required within the report. As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

Finding 2020-02: During testing of the reporting deliverables under DAI's Contract No. 306-AID-OAA- C-17-00090 (INVEST USAID-funded program), it was noted that the Reporting of Foreign Taxes was not submitted to USAID/Afghanistan by the required deadline for Fiscal Years (FY) 2017 and 2018.

Status: DAI conducted a comprehensive training to the Senior Project Management team on April 28, 2020 and replicated the training out to relevant staff in the Afghanistan field project offices. During our Reporting Compliance testwork, DAI provided documentation to support the submission of foreign tax reports. As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

Finding 2020-03: During the review of travel expenses for the INVEST program under Contract No. 306-AID-OAA-C-17-00090, Castro identified two (2) lodging expenses above the Foreign Per Diem Rates issued by the Department of State (State). As a result, DAI identified additional transactions for which DAI billed for more than the State Foreign Per Diem Rates and credited USAID in the amount of \$11,382 in March 2020.

Status: DAI confirms that a comprehensive expense reporting training was developed and delivered to relevant project staff on February 12, 2020, and all new DAI staff hired as of February 2020 are required to take a customized Travel Regulations and Policies online course at DAI's virtual learning portal. During our fieldwork procedures over Travel costs, we did not identify

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costs which exceeded the established Foreign Per Diem Rates issued by the Department of State (DoS). As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

Finding 2020-04: During payroll testing over the Afghanistan Value Chains – High Value Crops program under Contract No. 306-72030618C00013, Castro identified one (1) timesheet for the period ending September 30, 2018, that was completed and approved on September 29, 2018.

Status: To avoid an early approval of timesheets in the future, DAI’s Internal Audit team arranged and delivered an *Internal Audit and Compliance* training for the Home Office MENA region senior management team on April 28, 2020. During our fieldwork procedures over Payroll costs, we observed some instances in which the timesheets were signed one day prior to the pay period end due either to shorter working hours of the bank on public holidays, or due to the employee traveling causing limited access to the system. However, for the timesheets that were submitted early, the supervisor did not approve the timesheet until the end of the pay period and therefore approved appropriate and accurate hours. As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

Finding 2020-05: During testing of the original submission of the Statement and the corresponding General Ledger for the ACE II program under Contract No. 306-AID-306-BC-15-00005, it was noted that DAI included costs incurred for December 2018 and January 2019, which were outside the audit period. DAI subsequently adjusted the Statement in response to the request to reflect only the costs incurred through November 2018.

Status: DAI now requires the Project Manager to do an independent review of the submitted Statement and Statement notes, to ensure that the provided Statement and the corresponding audit period transaction details appropriately reflect and reconcile the costs incurred in the intended audit period. During our planning procedures, we reconciled the general ledger detail to the Statement and noted that some costs which fell outside of the scope of the audit period of December 1, 2019 through July 31, 2021 were included in the costs which tied to the Statement. However, the costs incurred associated with these transactions net to zero and the entries represent the true-up of indirect costs within the general ledger. As a result, Castro determined that this issue was not a repeat condition for the program under audit during the period of December 1, 2019 through July 31, 2021.

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Appendix A – Views of Responsible Officials



May 17, 2022

Castro & Company, LLC
1635 King Street
Alexandria, VA 22314

Subject: DAI Global LLC's Management Response to the Special Purpose Financial Statement for costs incurred under Cost-Plus-Fixed Fee Contract No. 72030618C00011 ("contract") awarded by the United States Agency for International Development's mission in Afghanistan for the period December 1, 2019, through July 31, 2021, supporting the Afghanistan Value Chains – Livestock activity.

This document is to provide DAI's response to the two draft internal control and compliance deficiencies identified in the subject Special Purpose Financial Statement audit report.

We would like to thank Castro & Company LLC for providing DAI the opportunity to respond to the findings and recommendations as reported under SIGAR's Special Purpose Financial Statement audit.

Castro issued an unmodified opinion on the Special Purpose Financial Statement and identified two internal control and compliance deficiencies.

FINDING 2022-01: Inaccurate Property Records (Internal Control – Deficiency and Noncompliance)

Nature of Finding: Auditors examined 11 of 750 property records supporting DAI's AVC-Livestock's inventory. Castro noted that the acquisition unit costs for three of the samples were recorded as USD in error, as the amounts represented the Afghani (AFN) unit purchase price, which had not been converted to USD within the report. While the inventory report was incorrectly stated, Castro verified that the costs were correctly recorded within the General Ledger. The exceptions were noted on the following sample selections and corresponding DAI code numbers:

Sample Number	DAI Code Number	Unit Cost per Annual Inventory of Government Property Report	Unit Cost per Source Records	Difference
1	AVC-Livestock 0001245	\$ 847,500	\$ 11,345	\$ 836,155
2	AVC-Livestock 0001560	\$ 182,200	\$ 2,369	\$ 179,831
5	AVC-Livestock 0001010	\$ 58,049	\$ 773	\$ 57,276
Total		\$ 1,087,749	\$ 14,487	\$ 1,073,262

Cause: DAI stated that the use of the incorrect currency was an error. DAI's procedures for overseeing and managing government property do not require detailed review to detect currency entry errors to ensure that accurate amounts are reported.

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

Questioned Costs: None. DAI erroneously recorded acquisition unit costs in USD; however, the amount was not recorded in DAI's accounting system nor billed to USAID. As a result, no costs are in question.

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Shaping a more livable world.

Recommendation: We recommend DAI: (1) Improve procedures for maintaining property records in accordance with the FAR to ensure property record-keeping accurately reflects the current cost of government property held under the activity including procedures for reviewing and validating the USD value of inventory items within the system.

DAI Global LLC's Management Response to Finding 2022-01 - : Inaccurate Property Records (Internal Control – Deficiency and Noncompliance)

DAI/AVC-Livestock concurs with the Auditor's finding regarding the erroneous entries in the Project's non-expendable property (NXP) records. The original currency of acquisition was transposed into the column supposed to show the equivalent value of the NXP items in USD, giving rise to the flagged inaccuracies. We note that the actual cost of acquisition (translated to its USD equivalent) was recorded correctly in the Project's General Ledger, therefore the error is limited to our submission of the Annual Report of Government Property in Contractor's Custody, and was not replicated in DAI's financial records, or in our billings to USAID.

DAI/AVC-Livestock inventory management policy establishes a review and reconciliation process to detect and correct discrepancies between financial records and the inventory tracker. Considering this finding, and to mitigate the risk of future similar errors, we will further systematize the process through clear action steps, roles and responsibilities.

In addition, DAI has tentatively scheduled a comprehensive internal control training to Home Office project management staff. The training will highlight the importance of maintaining and submitting timely and accurate annual inventory reports to USAID.

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DAI Management Comments AVC-Livestock SIGAR Audit Report

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FINDING 2022-02: Noncompliance – Quarterly Financial Reports Submitted Late (Internal Control – Deficiency and Noncompliance)

Nature of Finding: As part of our compliance testing, auditors reviewed seven quarterly financial reports. Three of the sampled reports were not submitted in a timely manner in accordance with the contract deliverable due dates (within 15 days of the end of each USAID fiscal quarter) as noted below:

Reporting Deliverable	Due Date	Date Submitted	Days Late
Quarterly Financial Report for FY 2020 Q3	7/15/2020	8/18/2020	34
Quarterly Financial Report for FY 2021 Q1	1/15/2021	1/26/2021	11
Quarterly Financial Report for FY 2021 Q3	7/15/2021	10/15/2021	92

Cause: DAI does not have adequate procedures and controls in place to ensure quarterly reports are submitted to USAID by dates specified in the contract. Additionally, DAI noted that FY21 Q3 was impacted by staff turnover and internal attention was focused on preparing documentation for the option years, both of which contributed to the delay in the Q3 submission.

Effect: USAID may have been unable to fully monitor DAI's financial progress and performance under the contract and fully understand the projects' programmatic impacts.

Questioned Costs: None. This finding relates to the late submission of quarterly financial reports to USAID and not costs incurred under the award. We did not identify any costs that would be deemed unallowable during our procedures.

Recommendation: We recommend DAI: (1) Implement procedures and corresponding controls to monitor the submission of deliverables and internal reviews to ensure compliance with contractual deliverables and deadlines.

DAI Global LLC's Management Response to Finding 2022-02 - Noncompliance – Quarterly Financial Reports Submitted Late (Internal Control – Deficiency and Noncompliance)

DAI acknowledges the lateness in the submission of these three quarterly reports. The first two reports were late due to an unexpected turnover in key project management team personnel that supported Livestock in 2020 and early 2021. The third report was also late and exacerbated by the imminent collapse of the Afghan government to the Taliban on August 15th, 2021. While DAI acknowledges this report should have been submitted in July, the length of time of 92 days was because focus was on safety of Afghan personnel in country, the evacuation of expatriate staff, ensuring office and inventory was accounted for, and confirming with USAID that implementation would continue.

Moving forward, DAI will ensure that a deliverable calendar is actively monitored by senior management and is included in the agenda of weekly home office/field office calls to ensure prompt preparation and submission.

DAI Global, LLC
United States Agency for International Development (USAID)/Afghanistan
Financial Audit of Costs Incurred
Contract No. 72030618C00013
For the Period of December 1, 2019 through July 31, 2021

DAI Management Comments AVC-Livestock SKGAR Audit Report

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DAI believes that our management comments provided above properly addresses the identified internal control and compliance deficiency and reflects our commitment to implementing and ensuring adequate controls and compliance with relevant policies applicable regulations and will make sure to share and emphasize any lessons learned from any this audit to ensure that our policies, procedures and operations adequately addresses any identified deficiencies.

Please do not hesitate to contact DAI if you have any further questions, would require additional information, or wish to further discuss DAI responses provided in this letter.

Sincerely,



Raul Pinto

Director, Internal Audit

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