



United States Department of State

Washington, D.C. 20520

May 1, 2023

The Honorable
Charles E. Grassley
United States Senate
Washington, DC 20510

Dear Senator Grassley:

Thank you for your inquiry related to the Special Inspector General for Afghanistan Reconstruction's letter dated March 1, 2023, alerting the Department of State (Department) to 14 audit report recommendations that have exceeded two years in age.

The 14 recommendations are associated with the following six audit reports:

| Report Number | Report Title | Report Date Issued | Recommendation number | Questioned Costs |
|---------------|---|--------------------|-----------------------|------------------|
| 20-04-FA | Department of State's Demining and Munitions Clearance Projects in Afghanistan: Audit of Costs Incurred by the | 10/15/2019 | 1 | \$19,194 |
| | | | 2 | \$0 |
| | | | 3 | \$0 |
| 21-01-FA | Department of State's Humanitarian Demining and Conventional Weapons Destruction Programs in Afghanistan: Audit | 10/1/2020 | 1 | \$2,804,634 |
| | | | 2 | \$0 |
| | | | 3 | \$0 |
| 21-07-FA | Department of State's Demining Activities in Afghanistan: Audit of Costs Incurred by the Mine Detection Dog Center | 11/6/2020 | 1 | \$399,249 |
| | | | 2 | \$0 |
| | | | 3 | \$0 |
| 20-54-FA | Department of State's Efforts to Develop and Sustain Afghanistan's Drug Treatment System: Audit of Costs Incurred by the | 9/18/2020 | 1 | \$23,133,847 |
| | | | 2 | \$0 |
| | | | 3 | \$0 |
| 20-39-FA | Department of State's Antiterrorism Assistance Program in Afghanistan: Audit of Costs Incurred by Alutiiq LLC | 6/4/2020 | 1 | \$8,765,541 |
| 20-48-FA | Department of State's Afghanistan Flexible Implementation and Assessment Team Program: Audit of Costs Incurred by TigerSwan LLC | 8/7/2020 | 1 | \$3,850,658 |

The Department takes the SIGAR recommendations very seriously and has been actively engaged in resolving the open recommendations for these six reports. The circumstances for each report's recommendations are provided below.

Reports: 20-04FA and 21-01FA and 21-07FA

The Bureau of Political - Military Affairs (PM) Office of Weapons Removal and Abatement (WRA) has a long-standing relationship with SIGAR and for years has worked in a collaborative way to address audit findings and successfully close SIGAR recommendations. For the past two years, PM/WRA has engaged in continual dialogue with SIGAR, but the responses to various audits have been slow due to staff turnover. As a result, three audits of PM/WRA's programs were referenced in the alert letter. PM/WRA redirected its limited personnel resources to address the findings of the three financial audits 20-04, 21-01, and 21-07. After completing a thorough analysis of the SIGAR findings, contract activity, and supporting documentation obtained from PM/WRA's implementing partners, PM/WRA's reviews resulted in determining that all costs were appropriate and \$0 in costs should be disallowed, as the implementing partners were in compliance with OMB Circulars and the Foreign Assistance Directive.

During these audits, it became apparent that the auditors subcontracted by SIGAR are not well versed with grant rules and regulations applicable to foreign assistance funds. As a result, PM/WRA staff spent 700 hours analyzing the auditors' recommendations to prove the findings were inappropriate, causing delays in addressing other conventional weapons destruction priorities.

PM/WRA has well-established business practices to mitigate financial risks and prevent waste, fraud, abuse. In Afghanistan, we have a well-respected international NGO that serves as a third-party monitor to reinforce U.S. policies for our implementing partners. We continue to strengthen and update our standard operating procedures based on new directives and

guidance issued by OMB and the Bureau of Administration, Office of the Procurement Executive.

Regarding audit 20-04 Recommendation 1, SIGAR has accepted and closed this recommendation and agreed that the full amount of questioned costs is all allowable. Regarding recommendations 2 and 3, PM/WRA is working to provide SIGAR records of correspondence with implementing partner DAFA and documentation showing that all matters have been addressed.

Regarding audit 21-01 Recommendation 1, PM/WRA has worked with other State colleagues to determine that the costs questioned in Recommendation 1 are allowable per 2 Code of Federal Regulations (CFR). For Recommendations 1- 3, PM/WRA is working to provide SIGAR records of correspondence with our implementing partner The HALO Trust, (USA), Inc. and documentation showing that all matters have been addressed.

Regarding audit 21-07 Recommendation 1, PM/WRA is analyzing documentation and will also make a final allowability determination for the \$399,249 of questioned costs. For Recommendations 1- 3, PM/WRA will provide SIGAR records of correspondence with our implementing partner Mine Detection Dog Center and documentation showing that all matters have been addressed.

Report: 20-54FA

The Bureau of International Narcotics and Law Enforcement Affairs (INL) has been actively working to resolve SIGAR's recommendations since they were issued in 2020. However, the close-out of these recommendations has been delayed as the Department disagrees with the findings put forward by the subcontracted auditor that SIGAR engaged to conduct this report.

INL expended significant resources during 2020 to review the SIGAR report and conduct an analysis of the questioned costs. On January 15, 2021, INL communicated to SIGAR that the standards used by the subcontracted auditor hired by SIGAR were incorrect and should not have been applied to an international organization such as The Colombo Plan. This includes, but

is not limited to, the use of 2 CFR 200, which is not applicable to Foreign Public Entities. The bureau provided a detailed response to SIGAR for each finding of the audit explaining these issues. INL also detailed where it agreed in part to some of the findings in the report. However, because SIGAR's recommendations require that the bureau fully address all findings, the bureau has been unable to get SIGAR to agree to close the recommendations.

The Colombo Plan does possess documentation for the questioned costs transactions in report 20-54FA. This documentation was originally offered to SIGAR at the time of the audit, but SIGAR's subcontracted audit firm refused to examine it. Financial documentation for these programs was stored in hard copy in offices across Afghanistan. The auditor wanted to travel to Afghanistan to examine the documentation in person, or hire a local firm to do so, but this was not possible due to the security situation. As a result, the auditor requested towards the end of the audit that The Colombo Plan provide the documentation. The Colombo Plan collected 1,020 pounds – about three dozen boxes – of documents from across Afghanistan and shipped them back to The Colombo Plan Headquarters, but neither SIGAR's subcontracted audit firm nor SIGAR personnel examined them. These documents are still stored at Colombo Plan headquarters.

INL is willing to provide this documentation in the interest of cooperation, though it does not change our stance on the merits of the audit findings. As this documentation was initially provided at the time of the audit but refused by SIGAR's subcontracted audit firm, INL requests that SIGAR collect the documentation and pay to ship the documents back as needed. INL is also looking into its own records to provide any additional documentation or updates concerning programs which have closed out in the last three years since the audit concluded.

In follow-up correspondence, INL reminded SIGAR that the records were made available but refused during the audit and emphasized that the majority of programs run by Colombo Plan have now been closed out.

INL will continue to work with SIGAR to reach a resolution and close out the three recommendations as soon as possible. INR looks forward to SIGAR's evaluation of the merits of the questioned costs, internal control, and noncompliance findings, which INR believes to be unfounded in light of the incorrect standards used by the accounting firm that SIGAR subcontracted to perform this audit.

Report: 20-39FA

The Department awarded task orders to Alutiiq Technical Services LLC and Alutiiq Professional Training LLC in 2014-2017 to support the Department's Antiterrorism Assistance program and enhance the antiterrorism skills of foreign law enforcement and security officials. The companies are subsidiaries of Alutiiq LLC (Alutiiq). In 2020 SIGAR subcontracted with a local accounting firm to review the expenditures of Alutiiq from 2014-2017 and SIGAR report 20-39FA was issued in June 2020. The Department has actively worked to resolve the audit findings since they were issued and has been successful in fully remediating five internal control findings (referred to as Recommendation 2 in the report) and four noncompliance findings (referred to as Recommendation 3 in the report). These two recommendations have been confirmed by SIGAR to be remediated and closed. Regarding Recommendation 1, the Department provided Alutiiq details of the SIGAR identified questioned costs determined by the Department's Contracting Officer and internal audit personnel to be unallowable. Since that time, the Department has been negotiating with Alutiiq on a settlement for the disallowed costs.

Report: 20-48FA

The Department awarded two task orders to TigerSwan LLC to support the Afghanistan Flexible Implementation and Assessment Team program. In 2020 SIGAR subcontracted with a local accounting firm to review the expenditures of TigerSwan LLC from 2015-2019 and SIGAR report 20-48FA was issued in August 2020. The Department has actively worked to resolve the audit findings since they were issued and has been successful in fully remediating three internal control findings (referred to as Recommendation 2 in the report) and three noncompliance findings (referred to as

Recommendation 3 in the report). These two recommendations have been confirmed by SIGAR to be remediated and closed. Regarding Recommendation 1, the Department requested information in 2021 from SIGAR in order to fully understand the audit findings in order to complete the analysis of the questioned costs in report 20-48. As a result of SIGAR's alert letter, the Department reminded SIGAR of the previous request for the information, and SIGAR provided the requested information on March 3, 2023. Having only recently obtained the information necessary to complete the analysis, the Department is actively conducting the review and will provide SIGAR records of correspondence with implementing partner TigerSwan LLC and documentation showing that all matters have been addressed.

Overall, the Department has made significant efforts to adjudicate these recommendations and is committed to meeting these compliance requirements in a reasonable manner. SIGAR subcontracted the financial audits to accounting firms for all six audits referenced in this letter. Unfortunately, four of the six were not conducted by firms with sufficient knowledge of accounting standards that are applicable to international organizations. The Department continues to recommend that SIGAR perform the financial audits based on appropriate regulations and standards. The additional resource hours required to collect, assemble, and provide the documents necessary to clear audit recommendations that should never have been issued and that resulted in zero disallowed costs is not the best use of our limited resources.

Sincerely,



Naz Durakoğlu
Assistant Secretary
Bureau of Legislative Affairs