

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 20-48 Financial Audit

Department of State's Afghanistan Flexible Implementation and Assessment Team Program: Audit of Costs Incurred by TigerSwan LLC

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

**AUGUST
2020**



SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

The Department of State's Bureau of International Narcotics and Law Enforcement Affairs awarded two task orders to TigerSwan LLC to support the Afghanistan Flexible Implementation and Assessment Team program. Under these task orders, TigerSwan was to ensure the quality of data that the program's implementers reported to the bureau, and provide training to enumerators, conduct data quality reviews, and take steps against potential fraud. The first task order, valued at \$4,587,943, included a period of performance from November 4, 2015, through November 3, 2016. After eight modifications, the total funding increased to \$5,373,449, and the end date extended to November 3, 2019. The second task order, valued at \$953,752, included a period of performance from December 15, 2015, through December 14, 2016. After 20 modifications, the total funding increased to \$4,073,638, and the end date extended to December 14, 2019.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed ██████████ in total costs charged to the task orders from November 4, 2015, through December 14, 2018. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in TigerSwan's internal controls related to the task orders; (2) identify and report on instances of material noncompliance with the terms of the task orders and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether TigerSwan has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of TigerSwan's Special Purpose Financial Statement (SPFS). See Crowe'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 Crowe did not comply, in all material respects, with U.S. generally accepted government auditing standards.

August 2020

Department of State's Afghanistan Flexible Implementation and Assessment Team Program: Audit of Costs Incurred by TigerSwan LLC

SIGAR 20-48-FA

WHAT SIGAR FOUND

Crowe identified three material weaknesses in TigerSwan's internal controls and three instances of noncompliance with the terms of the task orders. Specifically, the auditors selected seven procurements for testing and found serious issues with each one. For example, the auditors determined that TigerSwan did not provide documentation to support the reasonableness of costs or prices for six of seven vendors, or to show that six of the seven had not been suspended, debarred, or considered for debarment. In addition, TigerSwan did not provide conflict of interest certifications for four of the vendors. As a result, the auditors found \$3,819,500 in questioned costs.

In another instance, Crowe tested 288 transactions and found that TigerSwan did not provide adequate supporting documentation, such as timesheets, for three transactions to determine whether the costs were reasonable and allowable; this resulted in \$31,158 more questioned costs.

Because of these internal control deficiencies and instances of noncompliance, Crowe identified \$3,850,658 in total questioned costs, entirely consisting of unsupported costs—costs not supported with adequate documentation or that did not have the required prior approval. Crowe did not identify any ineligible costs—costs prohibited by the task orders, applicable laws, or regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Costs Incurred	\$0	\$3,850,658	\$3,850,658
Total Costs	\$0	\$3,850,658	\$3,850,658

Crowe did not identify any prior findings or recommendations from previous audit reports that warranted follow-up.

Crowe issued a qualified opinion on TigerSwan's SPFS because of material questioned costs identified during this audit.

WHAT SIGAR RECOMMENDS

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

- 1. Determine the allowability of and recover, as appropriate, \$3,850,658 in questioned costs identified in the report.**
- 2. Advise TigerSwan to address the report's three internal control findings.**
- 3. Advise TigerSwan to address the report's three noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

August 7, 2020

The Honorable Michael R. Pompeo
Secretary of State

Ms. Kirsten D. Madison
Assistant Secretary for Bureau of International Narcotics and
Law Enforcement Affairs

Mr. Ross Wilson
U.S. Chargé d'Affaires to Afghanistan

SIGAR contracted with Crowe LLP (Crowe) to audit the costs incurred by TigerSwan LLC under two task orders from the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs.¹ Under the task orders, TigerSwan supported the Afghanistan Flexible Implementation and Assessment Team program to ensure the quality of data that the program's implementers reported to the bureau. Crowe reviewed [REDACTED] in costs charged to the task orders from November 4, 2015, through December 14, 2018. Our contract with Crowe 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 State:

- 1. Determine the allowability of and recover, as appropriate, \$3,850,658 in questioned costs identified in the report.**
- 2. Advise TigerSwan to address the report's three internal control findings.**
- 3. Advise TigerSwan to address the report's three noncompliance findings.**

The results of Crowe's audit are discussed in detail in the attached report. We reviewed Crowe'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 TigerSwan's Special Purpose Financial Statement. We also express no opinion on the effectiveness of TigerSwan's internal control or compliance with the task orders, laws, and regulations. Crowe is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances in which Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

We are requesting documentation related to the corrective actions taken and target dates for completion for the recommendations. Please provide this information to sigar.pentagon.audits.mbx.recommendation-follow-up@mail.mil within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-176)

¹ The task order numbers SAQMMA16F0012 and SAQMMA16F0281, awarded under contract number SAQMMA15D0058.



TigerSwan LLC

Flexible Implementation and Assessment Team

Special Purpose Financial Statement

For the Period November 4, 2015, through December 14, 2018

(With Independent Auditor's Report Thereon)

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TRANSMITTAL LETTER

June 29, 2020

To the President and Chief Executive Officer of TigerSwan LLC
3467 Apex Peakway
Apex, North Carolina 27502

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 applicable to TigerSwan LLC's ("TigerSwan") Department of State's task order numbers SAQMMA16F0012 (Task Order 2) and SAQMMA16F0281 (Task Order 3) funding the Afghanistan Flexible Implementation and Assessment Team ("FIAT") for the period November 4, 2015, through December 14, 2018.

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 Special Purpose Financial 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 TigerSwan, the Department of State, 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 have been incorporated as an appendix to this report.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of TigerSwan's task orders.

Sincerely,

A handwritten signature in black ink that reads "John C. Weber".

John Weber, CPA, Partner
Crowe LLP

Summary

Background

On October 30, 2015, and December 8, 2015 the Department of State (“DOS”) Bureau of International Narcotics and Law Enforcement Affairs (“INL”) awarded the following task orders, respectively, under contract number SAQMMA15D0058 to TigerSwan LLC (“TigerSwan”), to support the Afghanistan Flexible Implementation and Assessment Team (“FIAT”) program.

- SAQMMA16F0012 (“Task Order 2”), a Firm-fixed price task order
- SAQMMA16F0281 (“Task Order 3”), a time and materials with additional cost reimbursable Contract Line Items (CLINs) task order

TigerSwan was tasked with assisting the FIAT program by ensuring the quality of data processed, through the application of rigorous protocols to data entry, cleaning, and processing. In addition, TigerSwan was to provide training to enumerators, perform regular data quality reviews, and take steps against potential fraud in data reporting. Furthermore, TigerSwan was required to translate all data gathered during site visits from local languages into English and provide the data and analysis to INL as required and to provide the raw data, transcripts, voice records, field notes, and field reports as deliverables.

The base period of performance for Task Order 2 was from November 4, 2015 to November 3, 2016 with an initial award amount of \$4,587,943. Task Order 3’s base period of performance was December 15, 2015 to December 14, 2016 with an initial award amount of \$953,752. There were twenty-eight (28) modifications made to the two task orders throughout the periods of performance.

After eight (8) modifications to the Task Order 2, the total funding was increased to \$5,373,449, and the period of performance was extended from November 3, 2016 to November 3, 2019. After 20 modifications to the Task Order 3, the total funding increased to \$4,073,638, and the period of performance was extended from December 14, 2016 to December 14, 2019. The modifications are summarized below:

Modifications to Task Order 2

Modification No.	Highlights
01	<ul style="list-style-type: none"> • Administrative changes • Authorize additional funding \$235,505
02	<ul style="list-style-type: none"> • Administrative changes
03	<ul style="list-style-type: none"> • Notice to proceed Option Year 1
04	<ul style="list-style-type: none"> • Administrative Changes
05	<ul style="list-style-type: none"> • Exercise Option Year 2
06	<ul style="list-style-type: none"> • Authorize funding for Option Year 2. \$200,000
07	<ul style="list-style-type: none"> • Authorized funding for travel in Option Year 2. \$50,000
08	<ul style="list-style-type: none"> • Exercise Option Year 3 to November 3, 2019 • Authorized Additional Funding \$300,000

(Continued)

Modifications to Task Order 3

Modification No.	Highlights
01	<ul style="list-style-type: none"> Administrative changes CLIN funding adjustments
02	<ul style="list-style-type: none"> Administrative changes
03	<ul style="list-style-type: none"> Increase funding \$118,723
04	<ul style="list-style-type: none"> CLIN funding realignment
05	<ul style="list-style-type: none"> Exercise Option Year 1 CLIN funding realignment
06	<ul style="list-style-type: none"> Increase funding \$846,427
07	<ul style="list-style-type: none"> Funding realignment
08	<ul style="list-style-type: none"> Revise and replace original statement of work
09	<ul style="list-style-type: none"> CLIN funding realignment
10	<ul style="list-style-type: none"> CLIN funding realignment
11	<ul style="list-style-type: none"> Exercise option year 2
12	<ul style="list-style-type: none"> CLIN funding realignment
13	<ul style="list-style-type: none"> CLIN funding realignment Cancellation of stop work order
14	<ul style="list-style-type: none"> Issuance of tax-exempt letter
15	<ul style="list-style-type: none"> Funding for CLIN's under option year 2
16	<ul style="list-style-type: none"> CLIN funding realignment
17	<ul style="list-style-type: none"> Identification of Government Technical Monitor
18	<ul style="list-style-type: none"> CLIN funding realignment
19	<ul style="list-style-type: none"> Exercise option year 3 Increase funding \$1,292,530
20	<ul style="list-style-type: none"> CLIN funding realignment

The audit's scope included activities within the period November 4, 2015 through December 14, 2018, inclusive of closeout procedures. Within the period under audit, TigerSwan reported [REDACTED] in costs incurred for the two task orders.

Work Performed

Crowe LLP ("Crowe") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a financial audit and closeout audit of TigerSwan's program under task orders numbers SAQMMA16F0012 and SAQMMA16F0281 for the period November 4, 2015, through December 14, 2018.

(Continued)

Objectives Defined by SIGAR

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

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether TigerSwan's Special Purpose Financial Statement ("SPFS") for the task orders present fairly, in all material respects, revenues earned, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the task orders and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

Evaluate and obtain a sufficient understanding of TigerSwan's internal control related to the task orders; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 3 – Compliance

Perform tests to determine whether TigerSwan complied, in all material respects, with the task orders' requirements and applicable laws and regulations and identify and report on instances of material noncompliance with terms of the task orders 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 TigerSwan 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 the audit included the period November 4, 2015 through December 14, 2018. The audit was limited to those matters and procedures pertinent to the task orders that have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS 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:

- Allowable Costs and Activities;
- Cash Management;
- Equipment and Property;
- Procurement; and
- Reporting.

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the auditee's internal controls over compliance and financial reporting and determined if adequate corrective action was taken in response to prior audit, assessment, and review comments, as applicable.

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded accurately and were consistent with the terms and conditions of the award; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the task order if the cost benefited multiple objectives; and were adequately supported.

Regarding Audit Objective 2 pertaining to internal control, Crowe requested, and the auditee provided copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by TigerSwan during the period of performance. To the extent documented policies and procedures were unavailable, Crowe 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. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the task orders. Crowe identified – through review and evaluation of the task orders from DOS to TigerSwan – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including, but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected transactions, payment requests, and procurements for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess TigerSwan'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 Incurred Cost Submission submitted by TigerSwan. We also performed procedures to determine if adjustments to billings that were based on preliminary or provisional rates were made, as required and applicable.

Regarding Audit Objective 4, Crowe inquired of TigerSwan, SIGAR, and INL personnel participating in the audit entrance conference to understand whether there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. No such reports were identified through our communications and independent search.

(Continued)

Summary of Results

Upon completion of Crowe's procedures, Crowe identified three findings because they met one or more of the following criteria: (1) significant deficiencies in internal control; (2) material weaknesses in internal control; (3) noncompliance with rules, laws, regulations, or the terms and conditions of the task orders; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued a qualified opinion on the SPFS due to the audit's having reported \$3,850,658 in questioned costs, which is material to the SPFS.

Crowe also reported on both TigerSwan's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the task orders. Three material weakness in internal control were reported and all three of the findings were 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.

In response to the identified instances of noncompliance, Crowe reported \$3,850,658 in questioned costs. SIGAR requires questioned costs 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 task orders 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. The following summary is intended to present an overview of the audit results and is not intended to be a representation of the audit's results in their entirety. The summary includes questioned costs reported by Crowe – questioned costs in Findings 2019-02 and 2019-03 are classified as unsupported.

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 during our testing.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to TigerSwan financial performance under these task orders. Based on Crowe's communications with TigerSwan, SIGAR, and DOS, no such reports existed. Therefore, no follow-up procedures pertaining to prior audit, review, and assessment findings and recommendations was conducted.

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2019-01	Untimely Submission of Invoices to the Department of State	Material Weakness and Noncompliance	\$0
2019-02	Inadequately Supported Costs Incurred Under the Task Orders	Material Weakness and Noncompliance	\$31,158
2019-03	Inadequate Documentation Supporting Procurements and Related Party Transactions	Material Weakness and Noncompliance	\$3,819,500
Total Questioned Costs:			\$3,850,658

(Continued)

Summary of Management Comments

TigerSwan's management agreed with Finding 2019-01, partially agreed with Finding 2019-02, and disagreed with Finding 2019-03. Regarding Finding 2019-02, TigerSwan located supporting documentation for certain transactions in question and, therefore, disagreed with the questioned costs. With respect to Finding 2019-03, TigerSwan disagreed with the finding due to its having located and/or provided copies of subcontracts, procurement documentation, correspondence with U.S. Government personnel, and certain subcontractors having been referenced in the Task Order 1 Statement of Work and/or proposal documents.

Reference to Appendix

The auditor's reports are supplemented by two appendices: **Appendix A**, which contains management's responses to the audit findings and **Appendix B**, which contains Crowe's rebuttal.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the President and Chief Executive Officer of TigerSwan LLC
3467 Apex Peakway
Apex, North Carolina 27502

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

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement (the "Statement") of TigerSwan LLC ("TigerSwan"), and related notes to the Statement, with respect to task order numbers SAQMMA16F0012 and SAQMMA16F0281 funding to support the Afghanistan Flexible Implementation and Assessment Team for the period November 4, 2015, through December 14, 2018.

Management's Responsibility for the Special Purpose Financial 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 the terms and conditions of task order numbers SAQMMA16F0012 and SAQMMA16F0281. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a 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.

(Continued)

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

Basis for Qualified Opinion

We identified \$3,850,658 in questioned costs resulting from noncompliance with the terms and conditions of task order numbers SAQMMA16F0012 and SAQMMA16F0281. The questioned costs are material to the Statement.

Qualified Opinion

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, revenues earned, costs incurred, and balance for the indicated period in accordance with the requirements established by the Office of the Special Inspector General for Afghanistan Reconstruction.

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 is prepared in a format required by SIGAR and presents those amounts as permitted under the terms of task order numbers SAQMMA16F0012 and SAQMMA16F0281, 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 task order referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of TigerSwan, the U.S. Department of State, 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 25, 2020, on our consideration of TigerSwan's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, task orders, and other matters. The purpose of that report 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TigerSwan's internal control over financial reporting and compliance.



Crowe LLP

June 25, 2020
Washington, D.C.

TIGERSWAN LLC
SPECIAL PURPOSE FINANCIAL STATEMENT
TASK ORDER NO. SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015, through December 14, 2018

			Budget	Cost Incurred	Questioned Costs		Notes	
					Ineligible	Unsupported		
Revenue								
Task Order 2 SAQMMA16F0012			\$5,073,449					
Task Order 3 SAQMMA16F0281			2,781,108					
Total Revenue			<u>7,854,556</u>				4	
Costs Incurred								
Task Order 2 SAQMMA16F0012							5	
CLIN 001	Ties to Mod 007		2,686,261					
CLIN 002	Ties to Mod 006		2,137,187					
CLIN 202	Ties to Mod 007		250,000					
CLIN 302	MOD 008		300,000					
			<u>5,073,449</u>			2,416,687	B	
Task Order 3 SAQMMA16F0281						31,158	A	
CLIN 001	MOD 013		214,743					
CLIN 002	MOD 013		164,967					
CLIN 003	MOD 013		176,322					
CLIN 004	MOD 013		26,397					
CLIN 005	MOD 013		50,074					
CLIN 006	MOD 013		57,834					
CLIN 007	MOD 016		22,969					
CLIN 008	MOD 013		24,639					
CLIN 101	MOD 016		255,012					
CLIN 102	MOD 016		296,973					
CLIN 103	MOD 016		132,812					
CLIN 104	MOD 016		11,787					
CLIN 105	MOD 016		96,465					
CLIN 106	MOD 016		138,788					
CLIN 107	MOD 016		29,140					
CLIN 108	MOD 016		19,980					
CLIN 201	MOD 018		349,701					
CLIN 202	MOD 018		506,586					
CLIN 203	MOD 018		-					
CLIN 204	MOD 018		12,745					
CLIN 205	MOD 018		4,390					
CLIN 206	MOD 018		144,970					
CLIN 207	MOD 018		27,461					
CLIN 208	MOD 018		16,352					
			<u>2,781,108</u>			\$ -	1,402,813	B
Total Costs Incurred						\$ -	\$ 3,850,658	
Balance			\$ -	\$ -				6

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

TIGERSWAN LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
TASK ORDER NO. SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015, through December 14, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Task Order Numbers SAQMMA16F0012 and SAQMMA16F0281 for the Afghanistan Flexible Implementation and Assessment Team program for the period November 4, 2015, through December 14, 2018. Because the Statement presents only a selected portion of the operations of TigerSwan LLC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of TigerSwan LLC. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal contract. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – BASIS OF ACCOUNTING

The Statement was prepared in accordance with the requirements specified by SIGAR and presents those expenditures as permitted under the terms of task order numbers SAQMMA16F0012 and SAQMMA16F0281, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in FAR Part 31, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – FOREIGN CURRENCY CONVERSION METHOD

For purposes of preparing the Statement, translations from local currency to United States dollars were not required.

NOTE 4 – REVENUES

Revenues on the Statement represent the amount of funds to which TigerSwan, LLC is entitled to receive from the Department of State for allowable, eligible costs incurred under the contract during the period of performance.

NOTE 5 – COSTS INCURRED BY BUDGET CATEGORY

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved task order, as modified.

NOTE 6 – BALANCE

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

NOTE 7 – CURRENCY

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

(Continued)

TIGERSWAN LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
TASK ORDER NO. SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015, through December 14, 2018

NOTE 8 – PROGRAM STATUS

The Afghanistan Flexible Implementation and Assessment Team program remains active.

Note 9 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to the November 4, 2015 through December 14, 2018, period covered by the Statement. Management has performed their analysis through June 25, 2020.

TIGERSWAN LLC
NOTES TO THE QUESTIONED COSTS PRESENTED
ON THE SPECIAL PURPOSE FINANCIAL STATEMENT
TASK ORDER NO. SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015, through December 14, 2018

- A. Finding 2019-02 questioned \$24,342 in direct costs and \$6,816 in indirect costs under Task Order 3 because TigerSwan did not provide adequate supporting documentation to determine the costs charged to the task orders were allowable and allocable.
- B. Finding 2019-03 questioned \$2,416,687 under Task Order 2 and \$1,402,813 under Task Order 3 due to inadequate documentation supporting procurements and related party transactions of costs incurred for seven purchases.

Notes to the Questioned Costs are prepared by the auditor for purposes of this report. Management takes no responsibility for the notes to the questioned costs.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the President and Chief Executive Officer of TigerSwan LLC
3467 Apex Peakway
Apex, North Carolina 27502

To the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)
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 standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of TigerSwan LLC ("TigerSwan"), and related notes to the Statement, with respect to task order numbers SAQMMA16F0012 and SAQMMA16F0281 funding the Afghanistan Flexible Implementation and Assessment Team program for the period November 4, 2015, through December 14, 2018. We have issued our report thereon dated June 25, 2020, within which we have qualified our opinion.

Internal Control over Financial Reporting

TigerSwan'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 task order; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Note 1 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 for the period November 4, 2015, through December 14, 2018, we considered TigerSwan's internal controls to determine the 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 TigerSwan's internal control. Accordingly, we do not express an opinion on the effectiveness of TigerSwan's internal control.

(Continued)

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 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-01, 2019-02, and 2019-03 that we consider to be material weaknesses.

TigerSwan's Response to the Findings

TigerSwan's response to the findings identified in our audit are described in Appendix A of this report. TigerSwan'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 TigerSwan Global Operations, the United States Department of State, 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.



Crowe LLP

June 25, 2020
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the President and Chief Executive Officer of TigerSwan LLC
3467 Apex Peakway
Apex, North Carolina 27502

To the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)
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 standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of TigerSwan LLC ("TigerSwan"), and related notes to the Statement, with respect to task order numbers SAQMMA16F0012 and SAQMMA16F0281 funding to support the Afghanistan Flexible Implementation and Assessment Team for the period November 4, 2015 through December 14, 2018. We have issued our report thereon dated June 25, 2020, within which we have qualified our opinion.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the task orders is the responsibility of the management of TigerSwan LLC.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and task orders, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2019-01, 2019-02, 2019-03.

TigerSwan's Response to the Findings

TigerSwan's response to the findings identified in our audit are described in Appendix A of this report. TigerSwan's response was not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on it.

(Continued)

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 TigerSwan LLC, the United States Department of State, 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

June 25, 2020
Washington, D.C.

TIGERSWAN LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDERS SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015 through December 14, 2018

FINDING 2019-01: Untimely Submission of Invoices to the Department of State

Material Weakness in Internal Control and Noncompliance

Condition: Crowe selected 13 invoices for testing out of 132 submitted to the Department of State (DOS) during the audit period. During our testing, we identified 4 invoices that were submitted more than 60 days from the date services were rendered. Below is a chart showing the date of the invoice, the month the services were rendered and the date the invoice was submitted to DOS.

Task Order	Invoice Number	Date of Invoice	Month Services Rendered	60 day Invoicing Period End	Invoice Submitted
TO2	2989	6/30/2017	May 2017	07/31/16	9/22/2017
TO3	2990	6/30/2017	May 2017	07/31/16	9/22/2017
TO3	3191	3/20/2018	November 2017	01/31/16	3/20/2018
TO3	3786	4/9/2019	December 2018	02/28/19	4/9/2019

Criteria: Section 5.1 of the Statements of Work for task orders SAQMMA16F0012 and SAQMMA16F0281 state, "The Contractor shall submit all requests for payment within sixty (60) days of services rendered. All invoices must be in a standardized format, legible and clearly identify the tasks, services, personnel involved and all relevant billing codes and rates (inclusive of all supporting documentation to include timesheets, vendor invoices, etc.)."

FAR 31.201-2, Determining allowability:

"(a) A cost is allowable only when the cost complies with all the following requirements:
...(4) Terms of the contract..."

Questioned Costs: \$0. There are no questioned costs as the costs incurred were still allowable.

Effect: TigerSwan is not in compliance with the invoicing requirements described in Section 5.1 of Task Order SAQMMA16F0012 and SAQMMA16F0281.

Cause: TigerSwan lacks invoicing procedures and supervisory reviews to ensure services are billed within the required 60-day time-period.

Recommendation: We recommend that TigerSwan establish invoicing procedures that require supervisory review of all invoices and submittals within the requirements of their contracts and agreements.

(Continued)

TIGERSWAN LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDERS SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015 through December 14, 2018

FINDING 2019-02: Unsupported Costs Incurred Under the Task Orders

Material Weakness in Internal Control and Noncompliance

Condition: During our testing of 288 transactions charged to the FIAT program and recorded on TigerSwan's Special Purpose Financial Statement, we noted TigerSwan did not provide adequate supporting documentation to conduct the costs incurred associated with three transactions are reasonable, allowable, and allocable to Task Order 3. Specifically, we noted the following:

- For two of 288 transactions, totaling \$582, TigerSwan did not provide adequate documentation to indicate the costs were incurred for Afghanistan-related work and was appropriately allocable to Task Order 3. Specifically, one transaction in the amount of \$22 included supporting documentation referencing "Ethiopia/Kenya Courier Missions." A second transaction totaling \$560 included supporting documentation specifying the platform and applications pertained to "FIAT #002" rather than Task Order 3. Therefore, \$582 in costs charged to Task Order 3 is in question.
- For one transaction in the amount \$23,760 that was charged to Task Order 3, TigerSwan provided supporting documentation that was not related to activities allowable under Task Order 3.

As a result of the inadequate supporting documentation noted above, an additional \$6,816 is questioned in unsupported indirect costs associated with the aforementioned unsupported transactions.

Criteria: Pursuant to FAR 31.201-2, *Determining allowability*:

"(a) A cost is allowable only when the cost complies with all of the following requirements:

- (1) Reasonableness.
 - (2) Allocability.
 - (3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances.
 - (4) Terms of the contract.
 - (5) Any limitations set forth in this subpart...
- (d) A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost that is inadequately supported."

FAR 31.201-3, *Determining reasonableness*:

"(a) A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business..."

FAR 31.201-4, *Determining allocability*:

"A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it-

- (a) Is incurred specifically for the contract;

(Continued)

TIGERSWAN LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDERS SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015 through December 14, 2018

(b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or

(c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.”

Questioned Costs: \$31,158 in unsupported costs.

Effect: In the absence of adequate supporting documentation for costs incurred and charged to the task orders, The Department of State may have paid costs that are not allowable, reasonable, and allocable.

Cause: TigerSwan did not have adequate internal controls, such as a record retention policy, to ensure supporting documentation for expenditures charged to the project are documented, maintained, and readily available.

Recommendation: We recommend that TigerSwan:

1. Either provide documentation supporting the referenced transactions or reimburse the Department of State \$31,158; and
2. Establish a record retention policy or procedure that ensure records are properly document, maintained, and readily available to be support costs charged to the program.

(Continued)

TIGERSWAN LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDERS SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015 through December 14, 2018

FINDING 2019-03: Lack of Documentation Supporting Procurements and Related Party Transactions

Material Weakness in Internal Control and Noncompliance

Condition: During our testing of TigerSwan's procurements, Crowe selected 7 procurements for testing. The selection included both vendors and subcontractors who assisted with the implementation of FIAT activities. We noted the following matters in regard to the procurement activities (grouped by subcontractor/vendor):

1. [REDACTED]
 - Evidence of a cost or price analysis having been conducted by TigerSwan to support the reasonableness of costs or prices resulting from selection of vendors was not provided.
 - TigerSwan did not provide documentation to demonstrate that the entities were not suspended, debarred, or proposed for debarment prior to entering into the agreements with either party.

2. [REDACTED]
 - Regarding [REDACTED] and [REDACTED], TigerSwan did not provide documentation sufficient to conclude the costs and prices resulting from the procurement were reasonable;
 - TigerSwan did not provide documentation to demonstrate that the entities were not suspended, debarred, or proposed for debarment prior to entering into the agreements with the parties.
 - Conflict of interest certifications were not provided for any of the three vendors.

3. [REDACTED] – Neither a cost nor price analysis to demonstrate the reasonableness of [REDACTED] final subcontract costs or prices was provided. In addition, because the subcontractor was selected through noncompetitive procedures, evidence of reasonableness was not available through the use of other vendors' bids or quotes. [REDACTED] costs are in question in the absence of such supporting documentation.

4. [REDACTED]
 - [REDACTED] is a subsidiary of TigerSwan thus classifying it as a related party. A related party is an entity that is controlled, significantly influenced or managed by another entity, such as a subsidiary. Documentation indicating that TigerSwan disclosed the relationship and potential conflict of interest to the Department of State was not provided.
 - Evidence of a cost or price analysis to support the reasonableness of costs or prices resulting from TigerSwan's procurement processes was not provided.
 - TigerSwan did not provide documentation to demonstrate that the entity was not suspended, debarred, or proposed for debarment prior to entering into the agreement with [REDACTED].

Criteria: TigerSwan's "FIAT Standard Operating Procedures: Competitive Procurement," states:

1. "General
 - a. A price is based on adequate price competition if:
 - Two or more responsible offerors, competing independently, submit priced quotes/proposals responsive to TigerSwan/FIAT's stated requirements, and if:
 - (1) Award will be made to a responsible offeror whose proposal(s) offer either:

(Continued)

TIGERSWAN LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDERS SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015 through December 14, 2018

- (a) The greatest value to TigerSwan/FIAT (past performance, schedule compliance, quality, technical and management capability, environmental objectives) and the price is a substantial factor in source selection; or
 - (b) The lowest evaluated price; and
- (2) There is no written finding by the Buyer that the price is unreasonable.

2. Procedures:

- a. Competition serves to justify pricing as fair and reasonable based on the precept that the marketplace is controlling the level of pricing.
- b. If adequate price competition cannot be satisfied through the general procedures above, the price may be justified as reasonable based on:
 - Established catalog or market prices for commercial items sold to the general public, or
 - Prices set by law or regulation, or
 - Cost or price analysis

The Buyer may also amend or cancel the RFQ in order to secure additional competitors and/or alternate items.”.

Section 2.9 *Organizational Conflict of Interest Monitoring* from the Task Order statement of work states that, “[t]he contractor shall constantly affirm from each subcontractor that they are not engaged in any INL programs which would be in conflict with those that the FIAT could monitor. Bi-annual certifications shall be collected with each Subcontractor responsible for its own OCI monitoring.”

FAR 15.403-4 Requiring certified cost or pricing data (10 U.S.C. 2306a and 41 U.S.C. 254b).

“(a)(1) The contracting officer shall obtain certified cost or pricing data only if the contracting officer concludes that none of the exceptions in 15.403–1(b) applies. However, if the contracting officer has reason to believe exceptional circumstances exist and has sufficient data available to determine a fair and reasonable price, then the contracting officer should consider requesting a waiver under the exception at 15.403–1(b)(4). The threshold for obtaining certified cost or pricing data is \$750,000.” Unless an exception applies, certified cost or pricing data are required before accomplishing any of the following actions expected to exceed the current threshold or, in the case of existing contracts, the threshold specified in the contract:

FAR 52.209-6(b), *Protecting The Government's Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment* (Aug 2013)

“The Government suspends or debar Contractors to protect the Government's interests. Other than a subcontract for a commercially available off-the-shelf item, the Contractor shall not enter into any subcontract, in excess of the threshold specified in FAR 9.405-2(b) on the date of subcontract award, with a Contractor that is debarred, suspended, or proposed for debarment by any executive agency unless there is a compelling reason to do so.”

FAR 31.201-2(d), *Determining Allowability*.

“A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost that is inadequately supported.”

(Continued)

TIGERSWAN LLC
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TASK ORDERS SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015 through December 14, 2018

FAR 31.201-3, *Determining reasonableness*:

“(a) A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. Reasonableness of specific costs must be examined with particular care in connection with firms or their separate divisions that may not be subject to effective competitive restraints. No presumption of reasonableness shall be attached to the incurrence of costs by a contractor. If an initial review of the facts results in a challenge of a specific cost by the contracting officer or the contracting officer’s representative, the burden of proof shall be upon the contractor to establish that such cost is reasonable.

- (b) What is reasonable depends upon a variety of considerations and circumstances, including –
- (1) Whether it is the type of cost generally recognized as ordinary and necessary for the conduct of the contractor’s business or the contract performance;
 - (2) Generally accepted sound business practices, arm’s-length bargaining, and Federal and State laws and regulations;
 - (3) The contractor’s responsibilities to the Government, other customers, the owners of the business, employees, and the public at large; and
 - (4) Any significant deviations from the contractor’s established practices.”

Questioned Costs: \$3,819,500 as summarized in the following table:

Vendor	Task Order 2	Task Order 3	Total Questioned Cost
[REDACTED]	\$ 1,467,934	\$ 865,368	\$ 2,333,302
[REDACTED]	\$ 783,469	\$ 445,300	\$ 1,228,769
[REDACTED]	\$ 92,251	\$ 26,026	\$ 118,277
[REDACTED]	\$ 45,616	\$ 13,506	\$ 59,122
[REDACTED]	\$ -	\$ 44,880	\$ 44,880
[REDACTED]	\$ 27,417	\$ 7,733	\$ 35,150
TOTAL	\$ 2,416,687	\$ 1,402,813	\$ 3,819,500

Effect: The Government may have paid more in costs than is reasonable or appropriate for the goods received.

Cause: TigerSwan did not have adequate policies and procedures in place or provide adequate training to its personnel related to the procurement process.

Recommendation: We recommend that TigerSwan:

1. Establish and document policies and procedures and provide training to their employees to ensure compliance with procurement standards; and
2. Either provide evidence to Department of State supporting the reasonableness of costs or reimburse the Government \$3,819,500.

(Continued)

TIGERSWAN LLC
SECTION II: SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT FINDINGS
TASK ORDERS SAQMMA16F0012 and SAQMMA16F0281
For the Period November 4, 2015 through December 14, 2018

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to TigerSwan financial performance under these task orders. Based on Crowe's communications with TigerSwan, SIGAR, and DOS, no such reports existed that could have direct and material to the Special Purpose Financial Statement or other financial information significant to the audit objectives. Therefore, no follow-up procedures pertaining to prior audit, review, and assessment findings and recommendations was conducted.

Appendix A: Views of Responsible Officials



TigerSwan
Solutions to Uncertainty

GOS-01-177-20

June 25, 2020

John Weber, CPA, Partner
Crowe LLP
1455 Pennsylvania Avenue, N.W., Suite 700
Washington D.C., 20004-1008

Subject: Management Response to TigerSwan LLC's (TigerSwan) Flexible Implementation Assessment Team (FIAT) Special Purpose Financial Statement (Statement)

Dear Mr. Weber,

Enclosed is TigerSwan's Management Response to the audit Statement referenced above, with respect to the funding for Task Orders SAQMMA16F0012 (Task Order 2) and SAQMMA16F0281 (Task Order 3) for the period November 4, 2015, through December 14, 2018.

TigerSwan agrees with Finding 2019-01, but disagrees with Finding 2019-02 and 2019-03. Individual responses to each of the 3 findings detailed in the Statement received by TigerSwan on June 16, 2020 can be found below.

- i. **Finding 2019-01: Untimely Submission of Invoices to the Department of State**
Nature of Finding: Material Weakness in Internal Control and Noncompliance
Questioned Costs: \$0
Recommendation: We recommend that TigerSwan establish invoicing procedures that require supervisory review of all invoices and submittals within the requirements of their contracts and agreements.

TigerSwan Response:

TigerSwan agrees with this finding and has revised its invoice tracking system to ensure all invoices are submitted to the Department of State within 60 days of service or product delivery, provided no extenuating circumstances exist preventing the invoice submission.

TigerSwan
3467 Apex Peakway, Apex, NC 27502
(919) 439-7110



2. Finding 2019-02: Unsupported Costs Incurred Under the Task Orders

Nature of Finding: Material Weakness in Internal Control and Noncompliance

Questioned Costs: \$92,518

Recommendation: We recommend that TigerSwan:

1. Either provide documentation supporting the referenced transactions or reimburse the Department of State \$92,518; and
2. Establish a record retention policy or procedure that ensure records are properly document, maintained, and readily available to be support costs charged to the program.

TigerSwan Response:

TigerSwan does not agree with every condition note stated in Finding 2019-02 and has addressed them separately below.

Condition Note 1: *For two of the 288 sampled transactions and charged to Task Order 2, TigerSwan provided inadequate documentation to determine if the costs charged to the task order were allowable. The two transactions totaled \$14,776.*

TigerSwan does not agree with the above statement and located adequate documentation for the two transactions mentioned above, totaling \$14,776. That documentation is attached to this response and titled 2019-02 – Note 1.

Condition Note 2: *For one transaction in the amount of \$11,236 charged to Task Order 3, TigerSwan did not provide adequate documentation, such as timesheet to determine the cost charged to the task order was allowable.*

TigerSwan does not agree with the above statement and has located adequate documentation for 1 transaction totaling \$11,236. That documentation is attached to this response and titled 2019-02 – Note 2.

Condition Note 3: *For 13 of 288 transactions, totaling \$22,469, TigerSwan did not provide supporting documentation. These transactions were charged to Task Order 3.*

TigerSwan does not agree with the above statement and has located adequate documentation for \$22, 469. That documentation is attached to this response and titled 2019-02 – Note 3.



Condition Note 4: *For one transaction in the amount \$23,760 that was charged to Task Order 3, TigerSwan provided supporting documentation that wasn't related to activities allowable under Task Order 3.*

TigerSwan agrees with the above statement and has identified the accounting error. The revenue for \$23,469 was charged to Task Order 1, but was coded to Task Order 3. This charge was for [REDACTED] and was correctly billed to Task Order 1. However, it should have been coded to Task Order 1, not Task Order 3. Documentation of the invoice to Task Order 1 is attached and titled 2019-02 – Note 4.

Condition Note 5: *As a result of the inadequate supporting documentation noted above, an additional \$20,277 is questioned in unsupported indirect costs associated with the aforementioned unsupported transactions. Of the \$20,277 indirect costs charged, \$3,790 were for Task Order 2 and \$16,487 for Task Order 3.*

TigerSwan does not agree with the above statement. The additional questioned costs of \$20,277 are the indirect costs, or fees, associated with the questioned costs mentioned in Notes 1-4 above. The additional documentation attached to this response addressing notes 1-4 reduces additional indirect cost to a negligible amount.

3. Finding 2019-03: Lack of Documentation Supporting Procurements and Related Party Transactions

Nature of Finding: Material Weakness in Internal Control and Noncompliance

Questioned Costs: \$3,862,897

Recommendation: We recommend that TigerSwan:

1. Establish and document policies and procedures and provide training to their employees to ensure compliance with procurement standards.
2. Either provide evidence to Department of State supporting the reasonableness of costs or reimburse the Government \$3,862,897.

TigerSwan Response:

1. [REDACTED]

TigerSwan does not agree with Condition Note 1 of 2019-03. TigerSwan had subcontracts with both [REDACTED] and [REDACTED] which were provided to Crowe on 4/16/20. Crowe acknowledged receipt. These partnerships were established prior to contract award and disclosed in our proposal. When TigerSwan enters teaming arrangements, we place an emphasis on choosing subcontractors based on their expertise, past performance, and complement to our organization.



As a team, we worked together to develop a practically priced proposal that met the contract requirements, to which we ultimately won. We believed acceptance of our proposal indicated price reasonableness.

Furthermore, TigerSwan met the government's request to reduce cost during negotiations by decreasing labor rates by 16.9% from Version 1 to the final accepted proposal. Documents showing our decrease in labor rates can be found in folder 2019-03 – Note 1.

On page 22 of the Draft Audit Report, Crowe references TigerSwan's "FIAT Standard Operating Procedures: Competitive Procurement." This is not an applicable reference in that both [REDACTED] and [REDACTED] were partners, established to compete for an award, rather than vendors providing a specific product or service. The SOP mentioned above is intended for vendors.

TigerSwan conducted visual compliance checks for both [REDACTED] and [REDACTED] however, we were only able to provide documentation for the [REDACTED] compliance check. It should also be noted that had either subcontractor been suspended, debarred, or proposed for debarment, TigerSwan would not have been awarded the contract.

2. [REDACTED] and [REDACTED]

TigerSwan does not agree with Condition Note 2 of 2019-03. The [REDACTED] sole source justification support and visual compliance check was provided to and acknowledged by Crowe on 4/16/20. Support documentation including visual compliance checks and bid analysis for all transactions with [REDACTED] can be found in folder 2019-03 – Note 2.

[REDACTED] was included in the Statement of Work for Task Order 1. TigerSwan agrees those costs should not have been coded to Task Order 3 since it was not invoiced to Task Order 3 and outside the scope of this audit. We agree there were no conflict of interest certifications provided, but they were unnecessary given [REDACTED] and [REDACTED] were all vendors. *Section 2.9 Organizational Conflict of Interest Monitoring* from the Task Order SOW states only subcontractors are subject to this policy.

3. [REDACTED]

TigerSwan does not agree with Condition Note 3 of 2019-03. Section 2.6.6 of Task Order 2 Statement of Work states that, "The contractor shall use [REDACTED] to collect social media information and will use it to conduct sentiment analysis on INL programs." TigerSwan did not provide a sole source justification since this was a requirement included in the SOW, and was included in our initial



TigerSwan

Solutions to Uncertainty

proposal. Additional support documentation for the use of [REDACTED] includes email acceptance from Contracting Officer [REDACTED], as well as a visual compliance check. These documents can be found in folder 2019-03 – Note 3.

4. [REDACTED]

TigerSwan does not agree with the statement that [REDACTED] is a wholly owned subsidiary of TigerSwan, given the fact that TigerSwan owned only 51% of the company. TigerSwan does agree that [REDACTED] is a related party and that no documentation was provided to the government notifying them of this relationship. We have made corrections to our internal control policies and procedures to ensure proper disclosure of any business relations with related parties will occur prior to entering any business agreements.

TigerSwan did not provide evidence of price analysis to support the reasonableness of cost because the specific [REDACTED] product offerings of interest (i.e. [REDACTED]) could not be found elsewhere in the market. It should also be noted that the price provided to Department of State was significantly less than our standard rates. Support documentation for this price comparison can be found in folder 2019-03 – Note 4.

We agree that TigerSwan did not provide documentation to demonstrate the entity was not suspended, debarred, or proposed for debarment due to our relationship with the organization and its standing at the time.

In addition to the above points that oppose Findings 2019-02 and 2019-03 of the Statement, it should be noted that all direct costs undergo rigorous vetting by the government prior to releasing any payment. The purchasing process begins with a Purchase Request that must be approved by the Contracting Officer's Representative (COR). TigerSwan then must provide detailed documentation in the form of contracts, invoices, receipts, etc. that coincide with the approved Purchase Request. This documentation and the approved Purchase Request are submitted again for approval, along with a DS-127 Form. Once the expense has been approved by the COR a second time, only then is TigerSwan able to invoice the government.

Sincerely,

John La Delfa
Chief Executive Officer
TigerSwan
3467 Apex Peakway
Apex, NC 27502

Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe" or "we" or "us") has reviewed TigerSwan LLC's ("TigerSwan" or "the auditee") management response to the audit findings. In consideration of management's views, we have included the following rebuttal to certain matters presented by the auditee. A rebuttal has been included in those instances where management disagreed with the facts presented within the condition or otherwise did not concur with Crowe's recommendations. TigerSwan agreed with finding 2019-01; therefore, a rebuttal has not been included regarding management's response to finding 2019-01. Management disagreed with findings 2019-02 and 2019-03. Crowe's rebuttal to those responses follows.

Finding 2019-02

TigerSwan disagreed with the finding due to management's having located additional supporting documentation since the draft report was issued. We have reviewed the additional supporting documentation provided with management's response and modified the finding accordingly. Questioned costs have been reduced to \$31,158.

Finding 2019-03

Management agreed that evidence of suspension and debarment checks was not provided. However, management disagreed with other aspects of the finding. We note the following matters per vendor:

- [REDACTED] – We reviewed management's response as well as the documentation provided. We concur that the subcontracts provided cover the task orders under audit and, therefore, have cleared the component of the finding pertaining to missing subcontracts. Management did not provide evidence of cost or price analyses to demonstrate that the costs and prices charged to TigerSwan were reasonable. We understand management's comments regarding TigerSwan's having negotiated the overall task order award amounts with the Government, but such negotiations do not inherently analyze each subcontractor cost element and does not reflect sufficient, appropriate audit evidence to support a revision to the questioned costs.
- [REDACTED] – We reviewed management's response as well as the additional documentation provided. We have included detailed responses per vendor below:
 - [REDACTED]: We have reviewed and accepted the sole source justification's adequacy to support TigerSwan's not having selected [REDACTED] using competitive procedures. However, the documentation provided did not include market rates or other such information needed to conclude that the resultant costs are reasonable. Therefore, we have modified the finding to clarify that the procurement method used to select [REDACTED] was adequate, but we have not modified the questioned costs.
 - [REDACTED]: Management asserted that [REDACTED] was included within the Statement of Work for Task Order 1; however, Task Order 1 is not within the scope of our audit. In addition, due to each task order's representing a separate contracting instrument, documentation to support the selection of [REDACTED] and reasonableness of costs is expected to demonstrate compliance with the applicable terms and conditions. In the absence of such documentation, the finding remains unchanged.
 - [REDACTED]: We have reviewed the additional documentation provided and noted that TigerSwan selected [REDACTED] through competitive procedures. In addition, we reviewed the bid analyses provided and noted the amounts invoiced were reasonable. Accordingly, we have cleared the questioned costs as well as the exception regarding lack of documentation indicating competitive procedures were used in [REDACTED] selection.

- [REDACTED] – We reviewed management's response and concur that use of competitive procedures to select [REDACTED] was not required due to the vendor's having been mandated through the language in TigerSwan's task order. We also noted that the Visual Compliance check indicated the vendor was neither suspended nor debarred. Therefore, we have cleared the components of the finding pertaining to the procurement method and failure to provide documentation regarding the vendor's status as a suspended or debarred entity.

Regarding the reasonableness of costs, TigerSwan did not provide additional documentation to support cost or price reasonableness. While the Contracting Officer approved the use of [REDACTED], the correspondence between TigerSwan and the Government personnel as provided for our review expressly references missing documentation regarding [REDACTED]. Further, the Contracting Officer's approval pertains to the purchase requisition, not authorization of the final subcontract amounts or assertion by the Government of cost or price reasonableness. As such, we have not modified the questioned cost amounts.

- [REDACTED] – We reviewed management's responses. Whereas the ownership percentage in [REDACTED] at the time of each transaction is unclear, we have modified the finding to reflect [REDACTED] being a subsidiary of TigerSwan rather than referring to [REDACTED] as a "wholly owned subsidiary." TigerSwan indicated the company owned [REDACTED] of [REDACTED], which provides TigerSwan with controlling interest and results in [REDACTED] being a related party. Therefore, we have not cleared the related party component of the finding.

We also reviewed the brochure provided by TigerSwan. Whereas the brochure does not provide a baseline against which to analyze TigerSwan's pricing relative to the same or similar products in the market, the brochure does not represent adequate supporting documentation for cost or price reasonableness. Therefore, the questioned costs have not been adjusted.

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