

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 14-76 Financial Audit

USAID's Afghanistan Rule of Law Stabilization Program—Formal Component: Audit of Costs Incurred by Tetra Tech DPK

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



JULY
2014

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On May 19, 2010, the U.S. Agency for International Development (USAID) issued task order 09 of contract number DFD-I-00-04-00173-00 to Tetra Tech DPK (Tt DPK) to implement the Rule of Law Stabilization Program–Formal Component (RLS–Formal). RLS–Formal sought to develop the capacity of the formal justice sector—principally the judiciary and law schools—and to raise public legal awareness and encourage the citizens of Afghanistan to resolve their disputes by accessing and asserting their rights through the Afghan government’s justice system.

SIGAR’s financial audit, performed by Crowe Horwath LLP (Crowe Horwath), reviewed expenditures of \$30,619,409 on the RLS–Formal task order from May 19, 2010, through July 15, 2012. Crowe Horwath (1) identified and reported on significant deficiencies or material weaknesses in Tt DPK’s internal controls related to the task order; (2) identified and reported on instances of material noncompliance with the terms of the award and applicable laws and regulations, including any potential fraud or abuse; (3) determined and reported on whether Tt DPK has taken corrective action on prior findings and recommendations; and (4) expressed an opinion on the fair presentation of Tt DPK’s Special Purpose Financial Statement. See Crowe Horwath’s report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of a contracted audit, SIGAR is required by auditing standards to provide oversight of the work performed. Accordingly, SIGAR reviewed Crowe Horwath’s audit results and found them to be in accordance with generally accepted government auditing standards.

July 2014

USAID’s Afghanistan Rule of Law Stabilization Program–Formal Component: Audit of Costs Incurred by Tetra Tech DPK

SIGAR 14-76-FA

WHAT THE AUDIT FOUND

Crowe Horwath LLP (Crowe Horwath) identified two internal control deficiencies and two instances of noncompliance in its audit of incurred costs by Tetra Tech DPK (Tt DPK) involving the Rule of Law Stabilization Program–Formal Component (RLS–Formal). As a result of these deficiencies and instances of noncompliance—which were combined into two findings—Crowe Horwath questioned \$39,327 in ineligible costs related to a subcontractor’s use of outdated indirect cost rates. Ineligible costs are costs questioned because they are prohibited by the contract, applicable laws, or regulations.

Category	Questioned Costs Total	Ineligible	Unsupported
Other Direct Costs	\$39,327	\$39,327	\$0
Total	\$39,327	\$39,327	\$0

Tt DPK failed to ensure that its subcontractor, Tetra Tech ARD, invoiced the U.S. Agency for International Development (USAID) using correct cost rates. The rates for general and administrative indirect costs were revised over the performance period for the RLS–Formal. In addition, Tt DPK did not obtain written certifications from 17 of 21 vendors disclosing that the vendors were not suspended or debarred. Tt DPK also failed to document checks it made on 5 of 21 vendors regarding their suspension and debarment status in the Excluded Parties List System.

Crowe Horwath requested prior audit reports or other assessments related to the RLS–Formal project from Tt DPK and USAID. However, no pertinent reports were identified.

In Crowe Horwath’s opinion, Tt DPK’s Special Purpose Financial Statement (SPFS) presented fairly in all material respects, revenues received, costs incurred and the balance for the indicated period in accordance with requirements established by SIGAR. The SPFS contains an outstanding fund balance of \$50,449 payable to USAID due to a credit that Tt DPK received from a subcontractor in December 2013. Tt DPK has notified USAID of the fund balance.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the Mission Director of USAID/Afghanistan:

1. Determine the allowability of and recover, as appropriate, \$39,327 in ineligible costs identified in the report.
2. Collect from Tt DPK the \$50,449 payable to USAID.
3. Advise Tt DPK to address the report’s two internal control findings.
4. Advise Tt DPK to address the report’s two noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 7, 2014

Dr. Rajiv Shah
Administrator
U.S. Agency for International Development

Mr. William Hammink
Mission Director for Afghanistan
U.S. Agency for International Development

This letter transmits the results of our audit of costs incurred by Tetra Tech DPK (Tt DPK) under a U.S. Agency for International Development (USAID) contract task order to provide support for the Rule of Law Stabilization Program-Formal Component project.¹ The audit, performed by Crowe Horwath LLP, covered the period May 19, 2010, through July 15, 2012, and expenditures of \$30,619,409. Based on the results of the audit, SIGAR recommends that the Mission Director of USAID/Afghanistan:

1. **Determine the allowability of and recover, as appropriate, \$39,327 in ineligible costs identified in the report.**
2. **Collect from Tt DPK the \$50,449 payable to USAID.**
3. **Advise Tt DPK to address the report's two internal control findings.**
4. **Advise Tt DPK to address the report's two noncompliance findings.**

We will be following up with your agency to obtain information on the corrective actions taken in response to our recommendations

A handwritten signature in black ink, appearing to read "John F. Sopko".

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-030)

¹ USAID contract number DFD-I-00-04-00173-00, Task Order Number 09.



Tetra Tech DPK

Special Purpose Financial Statement

Afghanistan Rule of Law Stabilization Program: Formal Component

For the Period May 19, 2010, through July 15, 2012

(With Independent Auditor's Report Thereon)

Table of Contents

Transmittal Letter	1
Summary	2
INDEPENDENT AUDITOR’S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT.....	6
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL.....	15
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE.....	17
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	19
SECTION 2:SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT FINDINGS	22
APPENDIX A: Views of Responsible Officials	23

**Crowe Horwath LLP**

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Transmittal Letter

May 12, 2014

To the President of ARD, Inc., and the Management of Tetra Tech DPK
605 Market Street
San Francisco, California 94105

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 the course of our audit of Tetra Tech DPK's ("Tt DPK") contract with the United States Agency for International Development funding the Afghanistan Rule of Law Stabilization Program: Formal Component ("RLS-Formal") project.

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, report on internal control, and report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our draft report, we considered comments, feedback, and interpretations of Tt DPK and the Office of the Special Inspector General for Afghanistan Reconstruction provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses have been incorporated into the final report. Modifications were made to the initial findings following our review of management's responses and the accompanying supporting documentation, as appropriate.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of Tt DPK's RLS-Formal project.

Sincerely,

John C. Weber, CPA, Partner
Crowe Horwath LLP



www.crowehorwath.com

Summary

Background

Tetra Tech DPK ("Tt DPK") entered into a cost reimbursement contract task order with the United States Agency for International Development ("USAID") to develop the capacity of Afghanistan's justice system to be accessible, reliable, and fair by focusing on the development of the judiciary and law schools and by raising the public legal awareness of the various means by which they could resolve their disputes through the Government of the Islamic Republic of Afghanistan's state justice system. The contract task order – DFD-I-00-04-00173-00, Order Number 09 – incorporated an initial project budget and ceiling price of \$33,752,979, inclusive of funds allocated for a base year and one option year. Including the option year, the period of performance spanned May 19, 2010, through July 15, 2012. During that period, Tt DPK incurred costs totaling \$30,619,409.

Throughout the project's period of performance Tt DPK collaborated with five grantees in Afghanistan, 191 subcontractors, USAID, and various judicial and educational bodies. As reported in Tt DPK's final report on the RLS-Formal project, results (unaudited by Crowe) included, but were not limited to:

- Collaborating with the Supreme Court's judicial education department to improve the judicial training program and increase the number of courses emphasizing judicial ethics and practical skills;
- Conducting and/or supporting continuing legal education training for judges ultimately reaching greater than 300 judges from all 34 Afghanistan provinces;
- The Court Management Unit's assisting with the implementation of the Afghanistan Court Administration System, proposing improvements to the System, drafting an inspections manual, and designing trainings; and
- The Legal Education Section facilitated multiple conferences to assist in the adoption of national curricula, including syllabi and course descriptions; and
- Printing and distributing over 2 million copies of legal awareness materials through outreach campaigns and producing and broadcasting over 14,000 minutes of Rule of Law radio and TV products at prime time listening and viewing hours; and
- Providing support to the Ministry of Justice to create legal awareness publications, including finalizing the design of numerous brochures and posters.

Project work concluded in July 2012.

Work Performed

Crowe Horwath LLP ("Crowe") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a financial audit of Tt DPK's RLS-Formal project.

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 the Special Purpose Financial 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 accounting principles generally accepted in the United States of America or other comprehensive basis of accounting.



Audit Objective 2 – Internal Controls

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

Audit Objective 3 – Compliance

Perform tests to determine whether Tt DPK 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 the audited entity has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the special purpose financial statement.

Scope

The scope of the audit included the period May 19, 2010, through July 15, 2012, for the RLS-Formal project. The audit was limited to those matters and procedures pertinent to the contract that have a direct and material effect on the Special Purpose Financial Statement ("SPFS") and evaluation of the presentation, content, and underlying records of the SPFS. 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;
- Allowable Activities;
- Cash Management;
- Equipment and Property Management;
- Period of Availability of Federal Funds;
- Procurement;
- Reporting; and
- Grants Under Contract.

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 findings 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 in accordance with the basis of accounting identified by the auditee; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were charged to the appropriate budgetary accounts; and were adequately supported.

With regard to Audit Objective 2 regarding internal control, Crowe requested and the auditee provided copies of policies and procedures and verbally communicated those procedures that do not exist in written format to provide Crowe with an understanding of the system of internal control established by Tt DPK. The system of internal control is intended to provide reasonable assurance of achieving reliable financial and performance 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 requires that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the contract. Crowe identified – through review and evaluation of the contract task order and the primary indefinite quantity contract executed by and between Tt DPK and USAID, the Federal Acquisition Regulation ("FAR"), and the USAID Acquisition Regulation ("AIDAR") – the criteria against which to test the SPFS and supporting financial records and documentation. Using sampling techniques, Crowe selected expenditures, vouchers submitted to USAID for payment, procurements, property and equipment dispositions, grants issued under the contract and corresponding costs incurred, and project reports for audit. Supporting documentation was provided by the auditee and subsequently evaluated to assess Tt DPK'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 agreements ("NICRA") and associated contract restrictions, and if adjustments were made, as required and applicable.

To obtain an understanding of the nature of audit reports and other assessments that were completed and the required corrective action, Crowe inquired of both Tt DPK and USAID regarding prior audits and reviews. There were no reports issued that required corrective action.

Due to the location and nature of the project work and certain vendors and individuals who supported the project still residing in Afghanistan, certain audit procedures were performed on-site in Afghanistan, as deemed necessary.

Summary of Results

Upon completion of Crowe's procedures, Crowe identified two 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 contract; and/or (4) questioned costs resulted from identified instances of noncompliance. Other matters that did not meet the criteria were either reported within a management letter dated May 12, 2014, or were communicated verbally to Tt DPK.

Crowe also reported on both Tt DPK's compliance with the applicable laws, rules, regulations, and the terms and conditions of the contract and the internal controls over compliance. One material weakness in internal control, one significant deficiency in internal control, and two instances of material noncompliance were reported. Where internal control and compliance findings pertained to the same matter, they were consolidated within a single finding. A total of \$39,327 in costs was questioned as presented in **TABLE A** contained herein.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to Tetra Tech DPK's financial performance under the contract. Per communications with Tt DPK and USAID, there were no reports issued that required corrective action.

Crowe issued an unmodified opinion on the SPFS.

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

TABLE A: Summary of Findings and Questioned Costs

Finding Number	Matter	Questioned Costs	Cumulative Questioned Costs
2014-01	Subcontractor NICRA Adjustments and Intercompany Invoice Reviews	\$39,327	\$39,327
2014-02	Vendor Certifications and EPLS Searches	\$0	\$0
Total Questioned Costs			\$39,327

Summary of Management Comments

Management concurred with each audit finding and the corresponding recommendations.

References to Appendices

The auditor's reports are supplemented by one appendix. **Appendix A** includes the Views of Responsible Officials, which are management's responses to the findings presented within the report.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the President of ARD, Inc., and the Management of Tetra Tech DPK
605 Market Street
San Francisco, California 94105

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, 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 Tetra Tech DPK ("Tt DPK"), and related notes to the Statement, for the period May 19, 2010, through July 15, 2012, with respect to the Afghanistan Rule of Law Stabilization Program: Formal Component ("RLS-Formal") project funded by contract number DFD-I-00-04-00173-00, Order Number 09.

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") in Appendix V of Solicitation ID05130083 ("the Contract"). 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 Special Purpose Financial Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 presents fairly, in all material respects, revenues received, 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 in Appendix V of the Contract and on the basis of accounting described in Note 1.

Basis of Presentation

We draw attention to Note 1 to the Statement, which describes the basis of presentation. The Statement was prepared by Tt DPK in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction in Appendix V of the Contract and presents those expenditures as permitted under the terms of contract number DFD-I-00-04-00173-00, Order Number 09, 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.

Restriction on Use

This report is intended for the information of Tetra Tech DPK, 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated May 12, 2014, on our consideration of Tt DPK'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* and should be considered in assessing the results of our audit.

Crowe Horwath LLP

May 12, 2014
Washington, D.C.

Tetra Tech DPK
Special Purpose Financial Statement
DFD-I-00-04-00173-00, Task Order #09
For the Period May 19, 2010, through July 15, 2012

	Questioned Costs				
	Budget	Actual	Ineligible	Unsupported	Notes
<i>Revenues</i>					
USAID - DFD-I-00-04-00173-00, Task Order #09	\$ 33,752,979	\$ 30,669,858			4
Total Revenue	\$ 33,752,979	\$ 30,669,858			
<i>Costs Incurred</i>					
Labor	\$ 6,097,821	\$ 6,019,910			5
Other Direct Costs	\$ 27,655,158	\$ 24,599,499	\$ 39,327		A, 8, 10
Total Costs Incurred	\$ 33,752,979	\$ 30,619,409	\$ 39,327		
Balance	\$ -	\$ 50,449			6

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

Tetra Tech DPK
Notes to the Special Purpose Financial Statement
For the Period May 19, 2010, through July 15, 2012

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Contract Number DFD-I-00-04-00173-00, Task Order #9 for the Afghanistan Rule of Law: Formal Component for the period May 19, 2010 – July 15, 2012. Because the Statement presents only a selected portion of the operations of Tetra Tech DPK, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Tetra Tech DPK. 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

Expenditures reported on the Statement are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 48, Part 31 of the Code of Federal Regulations entitled *Contract Cost Principles and Procedures* and Tetra Tech DPK's Cost Accounting Standards Disclosure Statement 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, conversions from local currency to United States dollars were prepared in accordance with the Tetra Tech DPK Exchange Rate Policy. The Policy requires that the exchange rate used by the local bank when converting or otherwise transferring funds from the account held in United States dollars to the local currency be documented within the local financial accounting system and utilized for purposes of recording transaction amounts.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which Tetra Tech DPK is entitled to receive from USAID 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, USAID-approved contract budget within the contract dated May 19, 2010.

Note 6. Balance

The fund 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. Tetra Tech DPK received a credit from a subcontractor in December 2013 in relation to this contract. On January 30, 2014, Tetra Tech DPK notified USAID of the credit due and requested banking information to issue a wire transfer. Tetra Tech DPK has not received a response to this request. Thus, the balance presented on the Statement reflects the \$50,449 payable to the Government.

(Continued)

Note 7. Currency

All amounts presented are shown in United States dollars.

Note 8. Subrecipients

Subrecipients include recipients of grants and subcontracts issued to local or U.S.-based entities. Subcontracts may be issued as cost plus fixed fee, time & materials, fixed price, blanket purchase agreements and/or purchase orders issued for major equipment and/or other commercial goods and services purchases. Subrecipients and their corresponding costs incurred during the period under review are as follows:

Afghanistan RLS-F Subrecipients		
Vendor Name	Agreement #	Amount Paid
ABASIN International Travel Service	BPA 001	\$29,893
ABASIN International Travel Service	RLS-08302010*	11,195
Advanced Media	PO 157	23,325
Afghan Kamyab Construction Company	PO 131	3,216
Afghan Paiwastoon Media Communication	PO 202	12,000
Afghan Technics Ltd	PO 129	48,470
Al Emran SilkRoad Group	BPA-02	28,418
Al Emran SilkRoad Group	PO 164	1,368
Asia Trade & Commodities Ltd	PO 154	1,430
Azamat Nayebkhail Ltd (USD)	PO 127	21,805
Baheer CP Co Ltd	PO 96	12,222
Baheer CP Co Ltd	PO 112	35,957
Baheer CP Co Ltd	PO 100	4,353
Baheer CP Co Ltd (USD)	PO 120	17,675
Baheer CP Co Ltd (USD)	PO 237	107,200
Barnes & Noble	RLS-09132010*	72,078
Continental Guest House	RLS-F12	24,510
Continental Guest House	RLS-F21	38,880
Digicom	PO 145	7,862
Digit Zone Computer Ltd (USD)	PO 152	13,845
Dizain-Kabul Nawin Ltd	PO 169	15,640
Equal Access Afghanistan	RLS-GMP-005	99,908
Gandeeray Consulting Services	PO 19	24,743
Gandeeray Consulting Services	PO 21	15,598
Global Famous Group	PO 153	27,798
Gold Flake Logistics & Supply.Co	PO 92	23,550

(Continued)

Afghanistan RLS-F Subrecipients (Continued)

Vendor Name	Agreement #	Amount Paid
Gold Flake Logistics & Supply.Co	PO 93	\$24,714
Golden Star Hotel	RLS-Formal 04	40,500
Jewel of East Logistic & Construction Comp	PO 212	15,336
Jewel of East Logistic & Construction Comp	PO 214	22,160
Keel Logistics Developmental Services Co.	PO 27	41,989
khlasan Azizi Construction Company	PO 140	23,604
Khurshid Aria Co. LTD	PO 228	24,780
Marriott Hotel	AF 50.24 BPA 05	21,498
MetaMetrics, Inc.	RLS-05192010*	162,944
Milky Way Production LTD	PO 205	16,602
Milky Way Production LTD	PO 227	12,371
Mohammad Dawood	PO 035	6,117
NAI- Supporting Open Media in Afghanistan	G-RLS-002	82,600
NAI- Supporting Open Media in Afghanistan	RLS-GMP-007	57,827
Nasrat Mohib Safi Ltd	PO 141	31,246
Nasrat Mohib Safi Ltd	PO 184	10,070
National Center for State Court	RLS Formal HO-10	116,424
Nazary Hotel	RLS-Formal 13	49,649
Nazary Hotel (USD)	RLS-Formal 23	29,236
North America(USD)	PO 137	10,610
Omar Zia Logistics Company	PO 229	13,514
Pace Group	PO 148	7,842
Pace Group	PO 185	19,221
Pace Group	PO 252	22,450
Rasool Sofizada Printing Press	PO 036	18,889
Saboor Printing Press	PO 237	152,775
Sadat Printing Press	PO 155	10,843
Saeed Publication	PO 161	8,125
Safi Landmark Hotel & Suites	RLS-Formal 03	121,044
Safi Landmark Hotel & Suites	RLS-Formal 14	11,500

(Continued)

Afghanistan RLS-F Subrecipients(Continued)		
Vendor Name	Agreement #	Amount Paid
Safi Landmark Hotel & Suites	BPA-005	\$4,685
Safi Landmark Hotel & Suites (AFA)	RLS-Formal 10	14,724
Safi Landmark Hotel & Suites (AFA)	RLS-Formal 11	12,646
Safi Landmark Hotel & Suites (AFA)	RLS-Formal 17	2,205
Sareh Graphics	PO-200	37,300
Sareh Graphics	PO-193	68,500
Sareh Graphics(AFA)	PO 177	12,771
Sarwar Sadat Printing Press	PO 171	18,135
Sayara Media Communications	RLS-02	1,744,454
Shamshad Printing Press	PO 026	71,046
SKY Travel & Tours	BPA-003	103,934
Smooth Group IT Server CO	PO 191	16,000
Super Tech ICT Services & Solutions	PO 156	18,613
Super Tech ICT Services & Solutions	PO 189	33,086
Super Tech ICT Services & Solutions	PO 239	19,620
Super Tech ICT Services & Solutions	PO 245	44,130
Tetra Tech ARD	RLS-Formal 01	12,450,761
University of the Pacific, McGeorge School of Law	RLS Formal HO-06	184,825
WADAN- Welfare Association of the Development of Afghanistan	G-RLS-003	90,000
WADAN- Welfare Association of the Development of Afghanistan	G-RLS-004	35,144
*Agreement number was not incorporated into the subaward; number provided reflects the date of signature of the subaward.		

Note 9. Utilization of grants and subcontracts

Based upon the technical requirements of the project as presented within the agreed-upon Statement of Work, Tetra Tech DPK conducts assessments of both market conditions and potential implementers to determine whether grants or subcontracts should be used in accomplishing the goals and objectives of the project. The use of a grant (assistance) versus a contract (acquisition) or any instrument issued through the standard vendor procurement process depends on the purpose of the instrument used. Acquisition is followed when the principle purpose of the instrument is the acquisition, by purchase, lease, or barter of property or services for the direct benefit or use of the project. Grants are used when the principle purpose of the relationship is the transfer of money, property, services, or anything of value to the recipient (grantee) in its accomplishment of a public purpose of support or stimulation.

(Continued)

Note 10. Negotiated Indirect Cost Rate Agreement (NICRA)

Pursuant to the terms of the indefinite quantity contract, Tetra Tech DPK invoiced the Government using the provisional indirect cost and fringe benefit rates included in the negotiated indirect cost rate agreement dated July 24, 2006. Upon revision of the provisional rates contained therein, establishment of final rates, or execution of an agreement between the Government and DPK to consider the rates as final for purposes of closing the contract, an adjustment will be made to the amounts charged to the Government. To date, the rates established within the July 24, 2006, NICRA remain current and a future adjustment, if required, has not been calculated.

Note 11. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the May 19, 2010, through July 15, 2012, period of performance. Management has performed their analysis through May 12, 2014.

Notes to the Questioned Costs Presented on the Special Purpose Financial Statement¹

Note A. Subcontractor NICRA Adjustments and Intercompany Invoice Reviews

Finding 2014-01 identified \$39,327 in questioned costs that resulted from Tetra Tech ARD, a subcontractor to Tetra Tech DPK, not processing adjustments to its general and administrative indirect cost rate upon revision of the provisional rates contained in Tetra Tech ARD's negotiated indirect cost rate agreement.

¹ Notes to the Questioned Costs Presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Statement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the President of ARD, Inc., and the Management of Tetra Tech DPK
605 Market Street
San Francisco, California 94105

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the 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 Tetra Tech DPK, and related notes to the Statement, for the period May 19, 2010, through July 15, 2012, with respect to the Afghanistan Rule of Law Stabilization Program: Formal Component ("RLS-Formal") project funded by contract number DFD-I-00-04-00173-00, Order Number 09. We have issued our report thereon dated May 12, 2014.

Internal Control over Financial Reporting

Tt DPK'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 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 May 19, 2010, through July 15, 2012, we considered Tt DPK's internal controls to determine 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 Tetra Tech DPK's internal control. Accordingly, we do not express an opinion on the effectiveness of Tetra Tech DPK's internal control.

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

(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 Statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency noted in Finding 2014-01 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency noted in Finding 2014-02 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

We noted certain matters that we reported to Tetra Tech DPK's management in a separate letter dated May 12, 2014.

Tetra Tech DPK's Response to Findings

Tetra Tech DPK's response was not subject to the auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of 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 Tetra Tech DPK, 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.

Crowe Horwath LLP

May 12, 2014
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the President of ARD, Inc., and the Management of Tetra Tech DPK
605 Market Street
San Francisco, California 94105

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the 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 Tetra Tech DPK and related notes to the Statement, for the period May 19, 2010, through July 15, 2012, with respect to the Afghanistan Rule of Law Stabilization Program: Formal Component ("RLS-Formal") project funded by contract number DFD-I-00-04-00173-00, Order Number 09. We have issued our report thereon dated May 12, 2014.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the contract are the responsibility of the management of Tetra Tech DPK.

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 contracts, 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 Findings 2014-01 and 2014-02 in the accompanying Schedule of Findings and Questioned Costs.

Tetra Tech DPK's Response to Findings

Tetra Tech DPK's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Restriction on Use

This report is intended for the information of Tetra Tech DPK, 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.

Crowe Horwath LLP

May 12, 2014
Washington, D.C.

SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Finding 2014-01: Subcontractor NICRA Adjustments and Intercompany Invoice Reviews

Material Weakness and Non-Compliance

Criteria: Pursuant to Section II(E)(1) of the NICRA, "Indirect costs charged to Federal grants/contracts by means other than the rate(s) cited in the agreement should be adjusted to the applicable rate(s) cited herein which should be applied to the appropriate base to identify the proper amount of indirect costs allocable to the program."

FAR 52.216-7, *Allowable Costs and Payment*, states:

(e) *Billing rates*. Until final annual indirect cost rates are established for any period, the Government shall reimburse the Contractor at billing rates established by the Contracting Officer or by an authorized representative (the cognizant auditor), subject to adjustment when the final rates are established. These billing rates—

- (1) Shall be the anticipated final rates; and
- (2) May be prospectively or retroactively revised by mutual agreement, at either party's request, to prevent substantial overpayment or underpayment.

Condition: Tetra Tech ARD (Tt ARD) served as a subcontractor to Tetra Tech DPK for the duration of the project. On a monthly basis, Tt ARD invoiced Tt DPK for services rendered under the subcontract, including indirect costs as calculated using the provisional rates approved within the negotiated indirect cost rate agreements (NICRAs). The provisional rates used for invoicing were periodically revised and incorporated into subsequent NICRAs throughout the project's period of performance. Tt ARD did not conduct a true-up of the costs that were invoiced to ensure alignment with the revised provisional rates included within the NICRAs.

The following table summarizes the rates used for billing and the revised provisional rates, per the applicable NICRA:

Project Period	Initial Material Handling Rate	Amended Material Handling Rate	Initial G&A Rate	Amended G&A Rate
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

In addition, we noted that Tt DPK did not conduct a documented review of each Tt ARD invoice that was rendered and paid using Federal funds. Of 28 Tt ARD invoices reviewed, evidence of Tt DPK's review was not available in any instance; however, Tt DPK was able to provide documentation showing that the voucher submitted to USAID for payment, which includes Tt ARD invoices, was reviewed and approved by the individual responsible for evaluating Tt ARD's performance (i.e., the project manager). Per discussion with Tt DPK, inter-company invoices are required by internal policy to be paid immediately and errors or discrepancies identified within the invoices are required to be resolved and addressed in the subsequent period's billing. Utilization of the outdated indirect cost rates was not detected during the invoice reviews.

Questioned costs: \$39,327

(Continued)

Effect: Tetra Tech DPK obtained an overpayment of funds from the Government. Further, in the absence of detailed, documented reviews, Tt DPK may be mischarged by a separate Tetra Tech entity and fail to detect and correct the error timely, thus increasing the likelihood of questioned costs and noncompliance with applicable rules and regulations pertaining to invoicing the Government.

Cause: Tetra Tech ARD incorrectly determined that a true-up of charges based on the NICRA was not required until a final rate was agreed-upon for each applicable fiscal year rather than revised provisional rates. Therefore, the adjustments were not calculated and reflected in project vouchers.

With regard to reviews of inter-company invoices, Tt DPK followed its internal review and payment procedures, which did not require documented reviews of inter-company invoices. Tt DPK did not detect ARD's failure to true-up the NICRA-related charges during its standard inter-company invoice review process.

Recommendation: We recommend that Tetra Tech DPK, as the prime contractor, obtain the funds that were overpaid to ARD and remit the \$39,327 overpayment amount to the Government. We further recommend that, as a component of its intercompany invoice review process, Tt DPK incorporate a documented review of intercompany invoices and specifically incorporate a requirement that the G&A and material handling rates used in billing be included within the scope of the review.

Finding 2014-02: Vendor Certifications and Excluded Parties List System (EPLS) Searches

Significant Deficiency and Non-Compliance

Criteria: Pursuant to FAR 52.209-6(b), "The Contractor shall require each proposed first-tier subcontractor, whose subcontract will exceed \$30,000, to disclose to the Contractor, in writing, whether as of the time of award of the subcontract, the subcontractor or its principals, is or is not debarred, suspended, or proposed for debarment by the Federal Government.

Tetra Tech DPK's "Local Procurement Handbook", Section 7.4.5, states: The potential vendor or subcontractor should be checked to ensure that they are not on the list of sanctioned individuals or companies. A check should be done to ensure that the vendor and/or subcontractor do not appear on the following list maintained by the Department of Treasury. The list can be accessed at <https://www.epls.gov/eplsearch.do>.

Condition: Of 21 procurements selected for testing, seventeen exceeded the \$30,000 threshold requiring certification as to suspension and debarment status. Tetra Tech DPK did not obtain certifications from any of the seventeen vendors. During our independent search of the System for Award Management, which the Government used to replace the EPLS subsequent to the award period, we did not identify any suspended or debarred vendors.

As a matter of practice, Tt DPK conducted searches of the Excluded Parties List System prior to executing contracts with vendors. The searches were intended to identify any suspended or debarred parties. During our review of documentation from the procurement files, we noted that EPLS searches were not completed for five of the 21 vendors in the sample.

Questioned costs: None

Effect: The risk of Tt DPK awarding funds to vendors which are suspended, debarred, or proposed for debarment was enhanced as a result of certifications not having been obtained and EPLS searches not having been conducted in each instance.

Cause: Tetra Tech DPK was unaware of the requirement that certifications be obtained from vendors with contracts exceeding \$30,000, and had utilized a prior version of the regulation to support its procedure. In other instances, the contractor elected not to conduct searches of U.S.-based organizations.

Recommendation: We recommend that Tetra Tech DPK revise its procurement procedures to incorporate a requirement that certifications be received from vendors with estimated contract values equal to or greater than \$30,000.

SECTION 2: SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT FINDINGS

Per discussion with Tetra Tech DPK and USAID, one compliance review had been conducted over RLS-Formal project activities. The report had been issued and management's responses provided to USAID. However, USAID had not issued a final response regarding required corrective actions or final dispositions in response to the findings. In the absence of final instruction from USAID, there were no corrective actions required for follow-up by Crowe Horwath.

APPENDIX A: Views of Responsible Officials



TETRA TECH DPK

To: Eric Russell, Audit Manager, Crowe Horwath

From: Rebecca Silva, Tt DPK Contracts Management Director
Tammy Lovlie, Tt DPK Finance and Administration Director

CC: Robert W Page Jr, Tt DPK Director
Robert Underwood, Tt DPK Technical Director

Date: May 12, 2014

Reference: Management Responses to Audit Findings - Financial audit of the Afghanistan Rule of Law Stabilization Program: Formal Component ("RLS-Formal")

Contract #: DFD-I-00-04-00173-00, Order Number 09

Pursuant to the referenced audit report and your email of April 29, 2014, Tt DPK provides the below management responses.

Finding 2014-01: Subcontractor NICRA Adjustments and Intercompany Invoice Reviews
Material Weakness and Non-Compliance

Criteria: Pursuant to Section II(E)(1) of the NICRA, "Indirect costs charged to Federal grants/contracts by means other than the rate(s) cited in the agreement should be adjusted to the applicable rate(s) cited herein which should be applied to the appropriate base to identify the proper amount of indirect costs allocable to the program."

FAR 52.216-7, *Allowable Costs and Payment*, states:

(e) *Billing rates*. Until final annual indirect cost rates are established for any period, the Government shall reimburse the Contractor at billing rates established by the Contracting Officer or by an authorized representative (the cognizant auditor), subject to adjustment when the final rates are established. These billing rates—

- (1) Shall be the anticipated final rates; and
- (2) May be prospectively or retroactively revised by mutual agreement, at either party's request, to prevent substantial overpayment or underpayment.

Condition: Tetra Tech ARD (Tt ARD) served as a subcontractor to Tetra Tech DPK for the duration of the project. On a monthly basis, Tt ARD invoiced Tt DPK for services rendered under the subcontract, including indirect costs as calculated using the provisional rates approved within the negotiated indirect cost rate agreements (NICRAs). The provisional rates used for invoicing were periodically revised and incorporated into subsequent NICRAs throughout the project's period of performance. Tt ARD did not conduct a true-up of the costs that were invoiced to ensure alignment with the revised provisional rates included within the NICRAs.

Tetra Tech DPK

605 Market Street, Suite 800, San Francisco, CA 94105 USA

Tel +1.415.495.7772 Fax +1.415.495.6017 www.tetratedhdpk.com www.tetratedh.com

The following table summarizes the rates used for billing and the revised provisional rates, per the applicable NICRA:

Project Period	Initial Material Handling Rate	Amended Material Handling Rate	Initial G&A Rate	Amended G&A Rate
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

In addition, we noted that Tt DPK did not conduct a documented review of each Tt ARD invoice that was rendered and paid using Federal funds. Of 28 Tt ARD invoices reviewed, evidence of Tt DPK's review was not available in any instance; however, Tt DPK was able to provide documentation showing that the voucher submitted to USAID for payment, which includes Tt ARD invoices, was reviewed and approved by the individual responsible for evaluating Tt ARD's performance (i.e., the project manager). Per discussion with Tt DPK, inter-company invoices are required by internal policy to be paid immediately and errors or discrepancies identified within the invoices are required to be resolved and addressed in the subsequent period's billing. Utilization of the outdated indirect cost rates was not detected during the invoice reviews.

Questioned costs: \$39,327

Effect: Tetra Tech DPK obtained an overpayment of funds from the Government. Further, in the absence of detailed, documented reviews, Tt DPK may be mischarged by a separate Tetra Tech entity and fail to detect and correct the error timely, thus increasing the likelihood of questioned costs and noncompliance with applicable rules and regulations pertaining to invoicing the Government.

Cause: Tetra Tech ARD incorrectly determined that a true-up of charges based on the NICRA was not required until a final rate was agreed-upon for each applicable fiscal year rather than revised provisional rates. Therefore, the adjustments were not calculated and reflected in project vouchers.

With regard to reviews of inter-company invoices, Tt DPK followed its internal review and payment procedures, which did not require documented reviews of inter-company invoices. Tt DPK did not detect ARD's failure to true-up the NICRA-related charges during its standard inter-company invoice review process.

Recommendation: We recommend that Tetra Tech DPK, as the prime contractor, obtain the funds that were overpaid to ARD and remit the \$39,327 overpayment amount to the Government. We further recommend that, as a component of its intercompany invoice review process, Tt DPK incorporate a documented review of intercompany invoices and specifically incorporate a requirement that the G&A and material handling rates used in billing be included within the scope of the review.

Management Response: Management agrees with the recommendation. USAID and Tt DPK agreed during the audit exit conference that USAID will issue a Bill of Collection upon receiving the Final Audit report from SIGAR for the subject audit. Tt DPK will reimburse the \$39,327 in funds upon receipt.

We will adjust our intercompany invoice review process to incorporate documentation of the project manager's review of the Tt ARD invoice. Review scope will include review of G&A and material handling rates.

Target Date for Implementation: June 30, 2014

Finding 2014-02: Vendor Certifications and Excluded Parties List System (EPLS) Searches

Significant Deficiency and Non-Compliance

Criteria: Pursuant to FAR 52.209-6(b), "The Contractor shall require each proposed first-tier subcontractor, whose subcontract will exceed \$30,000, to disclose to the Contractor, in writing, whether as of the time of award of the subcontract, the subcontractor or its principals, is or is not debarred, suspended, or proposed for debarment by the Federal Government.

Tetra Tech DPK's "Local Procurement Handbook", Section 7.4.5, states: The potential vendor or subcontractor should be checked to ensure that they are not on the list of sanctioned individuals or companies. A check should be done to ensure that the vendor and/or subcontractor do not appear on the following list maintained by the Department of Treasury. The list can be accessed at <https://www.epls.gov/eplsearch.do>.

Condition: Of 21 procurements selected for testing, seventeen exceeded the \$30,000 threshold requiring certification as to suspension and debarment status. Tetra Tech DPK did not obtain certifications from any of the seventeen vendors. During our independent search of the System for Award Management, which the Government used to replace the EPLS subsequent to the award period, we did not identify any suspended or debarred vendors.

As a matter of practice, Tt DPK conducted searches of the Excluded Parties List System prior to executing contracts with vendors. The searches were intended to identify any suspended or debarred parties. During our review of documentation from the procurement files, we noted that EPLS searches were not completed for six of the 21 vendors in the sample.

Questioned costs: None

Effect: The risk of Tt DPK awarding funds to vendors which are suspended, debarred, or proposed for debarment was enhanced as a result of certifications not having been obtained and EPLS searches not having been conducted in each instance.

Cause: Tetra Tech DPK was unaware of the requirement that certifications be obtained from vendors with contracts exceeding \$30,000, and had utilized a prior version of the regulation to support its procedure. In other instances, the contractor elected not to conduct searches of U.S.-based organizations.

Recommendation: We recommend that Tetra Tech DPK revise its procurement procedures to incorporate a requirement that certifications be received from vendors with estimated contract values equal to or greater than \$30,000.

Management Response: Management agrees with the recommendation. As noted above, we had utilized a prior version of the subject regulation and included language in sub agreements and conducted EPLS searches as a mechanism to avoid awarding funds to suspended or debarred vendors.

Below we provide additional details regarding the six cases cited in the audit report for not having EPLS searches completed by Tt DPK prior to subaward signature:

Vendor/Subawardee	US or Host Country	Comment
Shamshad Printing Press (PO 026)	Host Country	Not obtained prior to signature of subaward, subsequent EPLS search indicated vendor was not suspended or debarred
Safi Landmark Hotel and Suites (EPLS-Formal 03)	Host Country	Same as above
Barnes and Noble (no reference number)	US Large Business	Same as above
MetaMetrics, Inc. (no reference number)	US Small Disadvantaged and Veteran Owned	Same as above
Tetra Tech ARD (RLS-Formal 01)	US Large Business	Because Tetra Tech DPK is a wholly owned legal entity of Tetra Tech ARD, it was not determined necessary to run the EPLS search. We request that this item be removed from the number of exceptions noted.
University of the Pacific	US University	EPLS results were located in Tt

Vendor/Subawardee	US or Host Country	Comment
McGeorge School of Law (RLS Formal HO-06)		DPK files and have now been provided to auditors. We request this case be removed from the number of exceptions noted.

Based on the above, we request that the number of cases cited as not having EPLS searches be reduced from six to four.

Target Date for Implementation: July 31, 2014

Should you require any additional information, please let us know.

Sincerely,



Rebecca Silva
Tetra Tech DPK Contracts Management Director



Tammy Lovlie
Tetra Tech DPK Finance and Administration Director

SIGAR's Mission

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

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- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
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- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
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Public Affairs

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Arlington, VA 22202