

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 15-88 Financial Audit

USAID's Land Reform in Afghanistan Program: Audit of Costs Incurred by Tetra Tech ARD



SEPTEMBER
2015

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On January 30, 2011, the U.S. Agency for International Development awarded a \$4.0 million, 18-month contract, inclusive of one option period, to Tetra Tech ARD to support the Land Reform in Afghanistan (LARA) program. The purpose of the LARA program was to develop a set of policies and laws that would establish a framework for Afghanistan's land market to support investment and productive growth. The program was intended to provide technical assistance to the Afghan Land Authority and develop Afghan capacity to design, manage, and implement land reform policies. After 12 modifications, the total cost of the contract increased to \$41.8 million, and the period of performance was extended to November 2, 2014.

SIGAR's financial audit, performed by Davis and Associates Certified Public Accountants, PLLC (Davis), reviewed \$38,424,091 in expenditures charged to the contract from January 30, 2011, through November 2, 2014. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in Tetra Tech ARD's internal controls related to the contract; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Tetra Tech ARD has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Tetra Tech ARD's Special Purpose Financial Statement. See Davis's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, SIGAR is required by auditing standards to review the audit work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances where Davis did not comply, in all material respects, with U.S. generally accepted government auditing standards.

September 2015

USAID's Land Reform in Afghanistan Program: Audit of Costs Incurred by Tetra Tech ARD

SIGAR 15-88-FA

WHAT THE AUDIT FOUND

Davis and Associates Certified Public Accountants, PLLC (Davis) did not identify any material weaknesses or significant deficiencies in Tetra Tech ARD's internal controls, or instances of noncompliance with the terms and conditions of the Land Reform in Afghanistan program contract. As a result, Davis did not identify any questioned costs, which would have included unsupported costs—costs not supported with adequate documentation or that did not have the required prior approval—or ineligible costs—costs prohibited by the contract, applicable laws, or regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Costs Incurred	\$0	\$0	\$0
Totals	\$0	\$0	\$0

Davis requested copies of all prior audit reports that could have a material effect on the Tetra Tech ARD's Special Purpose Financial Statement. Davis determined that a compliance review was performed by Ernst and Young in July 2012. The report issued identified three findings related to mandatory clauses not being included in sub-contracts or sub-agreements, and one finding related to lost or missing assets not being reported to the U.S. Agency for International Development. Davis reviewed Tetra Tech ARD's response to the report and determined that the contractor's corrective action was adequate.

Davis issued an unmodified opinion on Tetra Tech ARD's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, revenues received, costs incurred, and reimbursed for the period audited.

WHAT SIGAR RECOMMENDS

Davis did not report any findings related to the LARA program. Therefore, SIGAR is not making any recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

September 28, 2015

The Honorable Alfonso E. Lenhardt
Acting Administrator
U.S. Agency for International Development

Mr. William Hammink
USAID Mission Director for Afghanistan

We contracted with Davis and Associates Certified Public Accountants, PLLC (Davis) to audit the costs incurred by Tetra Tech ARD under a U.S. Agency for International Development contract to support the Land Reform in Afghanistan (LARA) program.¹ Davis's audit covered \$38,424,091 in expenditures charged to the contract from January 30, 2011, through November 2, 2014. Our contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Davis did not report any findings related to the LARA program. Therefore, SIGAR is not making any recommendations.

The results of Davis's audit are detailed in the attached report. We reviewed Davis'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 Tetra Tech ARD's Special Purpose Financial Statement. We also express no opinion on the effectiveness of Tetra Tech ARD's internal control or compliance with the contract, laws, and regulations. Davis is responsible for the attached auditor's report and the conclusions expressed in the report. However, our review disclosed no instances where Davis did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-043)

¹ The U.S. Agency for International Development awarded contract number 306-C-00-11-00514-00 to Tetra Tech ARD to provide technical assistance to the Afghan Land Authority and develop Afghan capacity to design, manage, and implement land reform.

DAVIS AND ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS, PLLC

FINANCIAL AUDIT OF COSTS INCURRED IN AFGHANISTAN
UNDER
CONTRACT 306-C-00-11-00514-00 LAND REFORM IN AFGHANISTAN
PROGRAM (LARA)
PERIOD JANUARY 30, 2011 THROUGH NOVEMBER 2, 2014

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ABBREVIATIONS

Activity	306-C-00-11-00514-00 to support USAID/Afghanistan’s Land Reform in Afghanistan program (LARA)
AICPA	American Institute of Certified Public Accountants
ATC	Anti-Terrorism Clauses
Auditee	Tetra Tech ARD
CFE	Certified Fraud Examiner
CISA	Certified Information Systems Auditor
CITP	Certified Information Technology Professional
CO	Contracting Officer
COR	Contracting Officer’s Representative
CPA	Certified Public Accountant
FAR	Federal Acquisition Regulations
FSRS	FFATA Sub-award Reporting System
G&A	General and Administrative
GAAS	Generally Accepted Auditing Standards
GAGAS	Generally Accepted Government Auditing Standards
GAO	General Accountability Office
GAS	Government Auditing Standard
GIRoA	Government of the Islamic Republic of Afghanistan
ICQ	Internal Control Questionnaire
LARA	Land Reform in Afghanistan
MOU	Memorandum of Understanding
OAA	Office of Acquisition and Assistance
OFAC	Office of Foreign Assets Control
OIG	Office of Inspector General
PBC	Prepared by Client
RFP	Request for Proposal
RMM	Risk of Material Misstatement
SAS	Statement on Auditing Standards
SIGAR	Special Inspector General for Afghanistan Reconstruction
SOW	Statement of Work
US	United States
US Contractor	Tetra Tech ARD
USAID	United States Agency for International Development

September 24, 2015

TRANSMITTAL LETTER

To: To the President, Tetra Tech ARD
159 Bank Street, Suite 300
Burlington, VT 05401

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

From: Davis and Associates Certified Public Accountants, PLLC

Subject: Financial Audit of the Costs Incurred by Tetra Tech ARD, Inc. under Contract 306-C-00-11-00514-00, to support Land Reform in Afghanistan program (LARA), for the period January 30, 2011 to November 2, 2014

This letter transmits the final audit report for the subject effort. We issued an unmodified opinion on the fairness of the presentation of the Special Purpose Financial Statement.

Davis & Associates

Davis and Associates Certified Public Accountants, PLLC
211 North Union Street
Suite 100
Alexandria, Virginia 22314

EXECUTIVE SUMMARY

BACKGROUND

On January 30, 2011, the U.S. Agency for International Development (USAID) signed an initial \$4 million (Base +1 option year) Cost-Plus-Fixed-Fee (CPFF), contract number 306-C-00-11-00514-00 with Tetra Tech ARD to support Land Reform in Afghanistan program (LARA). LARA program purpose was to develop a robust set of policies and laws to establish a framework for Afghanistan's land market. This framework is intended to support investment and productive growth, resolve or mitigate land-based conflict, and build confidence in the government's legitimacy, thereby enhancing overall stability in Afghan society. The objectives of LARA were (1) to strengthen and support the Government of the Islamic Republic of Afghanistan (GIROA) institutions dealing with land, principally the Afghan Land Authority (ALA), by providing necessary technical assistance so they can more effectively meet their objective with respect to land management and planning, and (2) to create Afghan capacity to successfully design, manage and implement needed land reform. After 12 modifications, the total cost of the contract was increased to \$41.8 million and the period of performance was extended to November 2, 2014.

Our audit covers the period of performance from January 30, 2011 to November 2, 2014, Tetra Tech ARD incurred costs totaling \$38,424,091.

Tetra Tech ARD provides consulting, engineering, and technical services worldwide and has its headquarters in Burlington, Vermont. In 2007, Tetra Tech ARD acquired the international development services consulting firm, ARD, Inc. (ARD, formerly Associates in Rural Development).

WORK PERFORMED

Davis and Associates Certified Public Accountants, PLLC was engaged by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of the LARA program.

Methodology - Procedures Performed

Below are the documents that were used for the performance of this audit:

- The Contract 306-C-00-11-00514-00 between the USAID/Afghanistan and Tetra Tech ARD.
- Contracts and subcontracts with third parties.
- The written procedures approved by USAID/Afghanistan.

- USAID Office of Inspector General, *Guidelines for Financial Audits Contracted by Foreign Recipients (Guidelines)* dated February 2009.
- ADS Chapter 591 - *Financial Audits of USAID Contractors, Recipients, and Host Government Entities*.
- Mandatory Standard Provisions for U.S. Nongovernmental Grantees (USAID Automated Directives System, Chapter 303 Internal Mandatory References).
- All policies and procedures.

Our audit approach was significance and risk-based. Significance is the relative importance of a matter within the context it is being considered, including qualitative and quantitative factors.

Special Purpose Financial Statement

We examined Tetra Tech ARD's Special Purpose Financial Statement by budgeted line item under the USAID program, including the budgeted amounts by category and major items; local costs reported by Tetra Tech ARD as incurred in Afghanistan during that period; and the commodities directly procured by USAID for the Tetra Tech ARD's use. We reviewed to ensure that all costs incurred in Afghanistan and the U.S. under the USAID-funded agreement were allocable, reasonable, properly supported, allowable and properly included by Tetra Tech ARD in the Special Purpose Financial Statements by category and major item.

Internal Controls

Through inspection of documents, inquiry of personnel and observation of procedures, we obtained a sufficient understanding of Tetra Tech ARD and its environment, including its internal control, to assess the risk of material misstatement of the books and records of Tetra Tech ARD, whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures.

Compliance with Laws and Regulations

We identified the significant provisions of laws and regulations to design relevant compliance-related procedures for the audit. We looked at those provisions (a) for which compliance could be objectively determined and (b) that had a direct and material effect on the Activity. Our audit included steps to allow us to detect all material instances of noncompliance, defined as instances that could have a direct and material effect on the Special Purpose Financial Statements.

Follow Up to Prior Audit Recommendations

We inquired of management as to whether or not any prior audit or compliance reviews had been performed with respect to the project under audit.

OBJECTIVES DEFINED BY SIGAR

The following audit objectives were defined within the Performance Work Statement for Financial Audits of Costs Incurred by Tetra Tech ARD funded by the U.S. Government for Reconstruction Activities in Afghanistan:

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether Tetra Tech ARD’ 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 generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 - Internal Controls

Evaluate and obtain a sufficient understanding of Tetra Tech ARD’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 Tetra Tech ARD 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 Tetra Tech ARD 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

We conducted our audit from April 20, 2015 through July 8, 2015 for LARA program implemented by Tetra Tech ARD under the contract number 306-C-00-11-00514-00. The period covered under this audit was January 30, 2011 to November 2, 2014. The total amount of unburdened direct costs for the period under audit was \$38,424,091; we selected \$11,894,563 of that population for substantive testing. Our testing of indirect costs was limited to applying the rates to verify the indirect costs using the negotiated indirect cost rate agreements (“NICRA”) or provisional rate, as applicable for the given fiscal year, as approved by USAID/Afghanistan.

SUMMARY OF AUDIT RESULTS

Special Purpose Financial Statements

We issued an unmodified opinion on the fairness of the presentation of the Special Purpose Financial Statement. [See *Independent Auditor's Report on the Special Purpose Financial Statements*, Page 11]

Internal Controls

Our audit did not identify any deficiencies in Internal Control that are required to be reported. [See *Independent Auditor's Report on Internal Control*, Page 13]

Compliance with Laws and Regulations

Our audit did not identify any instances of material non-compliance that are required to be reported. [See *Independent Auditor's Report on Compliance*, Page 15]

Follow up on Prior Audit Findings

We did not identify any recommendations from previous engagements that could have a material effect on the special purpose financial statement. Nevertheless, we reviewed corrective actions taken with respect to immaterial findings and recommendations and we determined that Tetra Tech ARD had taken adequate corrective action. [See *Status of Prior Audit Findings*, Page 17]

EXHIBIT I
Tetra Tech ARD
Special Purpose Financial Statement
Contract 306-C-00-11-00514-00 - Land Reform in Afghanistan program (LARA)
For the period January 30, 2011 to November 2, 2014

	Budgeted Amount	Actual for the Period	Unsupported Costs	Ineligible Costs	Notes
Revenue	\$ 39,064,162	\$ 38,424,090	\$ -	\$ -	3
Total Revenue	<u>\$ 39,064,162</u>	<u>\$ 38,424,090</u>	<u>\$ -</u>	<u>\$ -</u>	
Costs Incurred					
Salary and Wages	\$ 5,807,560	\$ 5,765,269	\$ -	\$ -	5
Fringe Benefits	1,026,812	970,191	-	-	5
Travel, Transport, Per Diem	700,418	644,942	-	-	5
Equipment and Supplies	511,303	506,037	-	-	5
Communications	371,417	369,707	-	-	5
Subcontracts/Consultants	12,076,460	11,785,860	-	-	5
Allowances	1,713,185	1,638,175	-	-	5
Direct Facilities Costs	363,803	341,284	-	-	5
Other Direct Costs	6,660,159	6,643,921	-	-	5
Security	5,038,151	5,014,081	-	-	5
Grants Under Contract	110,191	110,191	-	-	5
Indirect Costs	4,704,277	4,654,006	-	-	5
Sadat & Safi Credit	<u>(19,574)</u>	<u>(19,574)</u>	<u>-</u>	<u>\$ -</u>	5
Total Program Amount	<u>\$ 39,064,162</u>	<u>\$ 38,424,090</u>	<u>\$ -</u>	<u>\$ -</u>	
Outstanding Fund Balance	<u>\$ -</u>	<u>\$ -</u>			

The accompanying notes to the Special Purpose Financial Statement are an integral part of this Statement prepared by Tetra Tech ARD

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS.¹

Note 1 Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Contract Number 306-C-11-00514-00 for the Afghanistan LARA project for the period January 30, 2011 through November 2, 2014. Because the Statement presents only a selected portion of the operations of the ARD, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of ARD, Inc. 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 task order. 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 in accordance with accounting principles generally accepted in the United States of America ("GAAP") and, therefore, 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, *Contract Cost Principles and Procedures*, 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 required. ARD, Inc. utilized the weighted average conversion method throughout the period of performance for purposes of recording charges to the contract. Such charges were recorded in the financial records as costs were incurred. The referenced financial records were used in the preparation of the Statement.

Note 4 Revenues

Revenues on the Statement represent the amount of funds to which ARD, Inc. is entitled to receive from USAID for allowable, eligible costs incurred under the contract during the period of performance, inclusive of the Settlement referenced in Note 9.

¹ Prepared by Tetra Tech ARD

Note 5 Costs Incurred by Budget Category

The budgeted costs contained in the Special Purpose Financial Statement reflect the budgetary contract values contained in Modification Number 10 to USAID-approved Contract 306-C-00-11-00514-00 which was issued on January 30, 2011.

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. The Statement's zero dollar balance indicates that no funds are due from or owed to the Government.

Note 7 Currency

All amounts presented are shown in United States dollars.

Note 8 Grants under Contract

ARD, Inc. has no sub recipients on this contract as we are not a recipient. However, Grants were issued under the contract pursuant to the terms of the prime contract and in accordance with the incorporated grants manual.

Note 9 Utilization of Grantees and Subcontractors

ARD utilized both contracts and grants in the operation of the program. Grants were used when the principal purpose of the relationship was the transfer of money, property, services, or anything of value to the recipient in its accomplishment of a public purpose of support or stimulation authorized under the contract.

Subcontracts were used when the principal purpose of the instrument was the acquisition, by purchase, lease, or barter of property or services for direct benefit or use of the services or items to fulfill the requirements of the contract.

Note 10 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the January 30, 2011, through November 2, 2014, period of performance. Management has performed their analysis through May 31, 2015.

Independent Auditor's Report on the Special Purpose Financial Statement

To the President, Tetra Tech ARD
159 Bank Street, Suite 300
Burlington, VT 05401

Report on the Financial Statements

We have audited, the Special Purpose Financial Statement of Tetra Tech ARD ("Tetra Tech") to support the Land Reform in Afghanistan program (LARA) under Contract 306-C-00-11-00514-00 for the period January 30, 2011 to November 2, 2014, hereinafter referred to as the financial statements.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Special Purpose Financial Statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Special Purpose Financial Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed by the U.S. Agency for International Development for the period January 30, 2011 to November 2, 2014 in accordance with the terms of the agreement or in conformity with the basis of accounting described in Notes to the Special Purpose Financial Statement, Page 9.

Other Reports Required by Government Auditing Standards

In accordance with U.S. Government Auditing Standards, we have also issued our reports, dated July 8, 2015, on our consideration of Tetra Tech ARD's internal control over financial reporting and our tests of its compliance with certain provisions of laws ,regulations and the terms and conditions of the contract Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent's Auditor's Report in considering the results of our audit.

Restriction on Use

This report is intended for the information of Tetra Tech ARD, the U.S. Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Davis & Associates

Alexandria, Virginia
July 8, 2015

Independent Auditor's Report on Internal Control

To the President, Tetra Tech ARD
159 Bank Street, Suite 300
Burlington, VT 05401

We have audited, the Special Purpose Financial Statement of Tetra Tech ARD ("Tetra Tech") to support the Land Reform in Afghanistan program (LARA) under Contract 306-C-00-11-00514-00 for the period January 30, 2011 to November 2, 2014, hereinafter referred to as the financial statements, and have issued our report dated July 8, 2015.

Management Responsibility

Management is responsible for establishing and maintaining internal control. 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 agreement; and transactions are recorded properly to permit the preparation of the financial statements in conformity with the basis of accounting described in Note 1.

Auditor Responsibility

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and U.S. *Government Auditing Standards* issued by the Comptroller General of the United States. In planning and performing our audit, we considered the entity's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected and 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.

Internal Control over Financial Reporting

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 significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control, and 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 ARD, the U.S. Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Davis & Associates

Alexandria, Virginia
July 8, 2015

Independent Auditor's Report on Compliance

To the President, Tetra Tech ARD
159 Bank Street, Suite 300
Burlington, VT 05401

We have audited, the Special Purpose Financial Statement of Tetra Tech ARD ("Tetra Tech") to support the Land Reform in Afghanistan program (LARA) under Contract 306-C-00-11-00514-00 for the period January 30, 2011 to November 2, 2014, hereinafter referred to as the financial statements, and have issued our report dated July 8, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its USAID-funded program.

Auditor's Responsibility

We conducted our audit in accordance with U.S. *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 Schedule of Costs Incurred in Afghanistan and the U.S. is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Schedule of Costs Incurred in Afghanistan and the U.S. amounts.

Compliance and Other Matters

Compliance with agreement terms and laws and regulations applicable to Tetra Tech ARD is the responsibility of Tetra Tech ARD's management. As part of obtaining reasonable assurance about whether the Schedule of Costs Incurred is free of material misstatement, we performed tests of Tetra Tech ARD's compliance with the terms and conditions of the contract, laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of with the terms and conditions of the contract, laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Special Purpose Financial Statement.

In performing our testing, we considered whether the information obtained during our testing indicated the possibility of fraud or abuse. Evidence of possible fraud or abuse was not indicated by our testing. The results of our tests did not disclose any instances of material noncompliance that are required to be reported here under Government Auditing Standards.

Restriction on Use

This report is intended for the information of Tetra Tech ARD, the U.S. Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Davis & Associates

Alexandria, Virginia
July 8, 2015

STATUS OF PRIOR AUDIT FINDINGS

We requested copies of all prior audit reports that could have a material effect on the Special Purpose Financial Statement. We determined that a compliance review was performed and a report was issued. The review report identified three findings related to mandatory clauses not being included in sub-contracts/agreements and one finding related to lost or missing assets not being reported to USAID. Accordingly, Davis and Associates reviewed Tetra Tech ARD's response to the report and determined that the corrective action was adequate.

SIGAR's Mission

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

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

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
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2530 Crystal Drive
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