

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 17-07 Financial Audit

Construction of Nimroz Province Border Patrol Facilities: Audit of Costs Incurred by AECOM Technical Services

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



OCTOBER
2016

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On August 22, 2011, the 772nd Enterprise Sourcing Squadron, in support of the Air Force Center for Engineering and the Environment—reorganized in 2012 as the Air Force Civil Engineer Center—awarded a 20-month, \$26.8 million task order to URS Group, Inc. (URS). In 2014, URS was acquired by AECOM Technology, which was later reorganized to become AECOM Technical Services (AECOM). In consideration of this change, SIGAR's recommendations refer to AECOM, which is now responsible and accountable for addressing any findings related to URS's work. The purpose of the task order was to design and construct facilities and infrastructure in Nimroz province: three Border Patrol Company headquarters at Kang, Burjas, and Taba-e Talib; and one border crossing point at Zarang. After 14 modifications, the total cost of the task order decreased to \$26.7 million, and the period of performance was extended to February 14, 2014.

SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe), reviewed \$26,711,594 in expenditures charged to the task order from August 30, 2011, through February 14, 2014. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in AECOM's internal controls related to the task order; (2) identify and report on instances of material noncompliance with the terms of the task order and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether AECOM has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of AECOM's Special Purpose Financial Statement (SPFS). See Crowe's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, 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 Crowe did not comply, in all material respects, with U.S. generally accepted government auditing standards.

October 2016

Construction of Nimroz Province Border Patrol Facilities: Audit of Costs Incurred by AECOM Technical Services

SIGAR 17-07-FA

WHAT THE AUDIT FOUND

Crowe identified two material weaknesses and five instances of noncompliance with the terms and conditions of the task order. Specifically, AECOM did not allocate costs by specific tasks, technically known as contract line item numbers (CLIN), as required by the task order. AECOM also exceeded CLIN funding limits by \$3,278,588. By exceeding the amounts allocated to specific task order requirements without formal approval, the Air Force Civil Engineer Center may have paid more for those tasks than necessary or authorized. The amounts are not reflected as questioned costs since the 772nd Enterprise Sourcing Squadron indicated that the Contracting Officer at the time may have allowed the contractor to exceed funding limits for specific task order requirements. Crowe noted that the rationale for the decision was unclear, and neither the squadron nor AECOM was able to provide documentary evidence. Additionally, Crowe noted that AECOM improperly charged the government for an information technology purchase and for general purpose office equipment. Further, AECOM could not provide adequate supporting documentation for the disposition of equipment and property, such as power generators and diesel. Crowe also found that AECOM charged the task order for travel costs incurred under a different task order.

As a result of these internal control weaknesses and instances of noncompliance, Crowe identified \$6,701 in total questioned costs, consisting entirely of ineligible costs—costs prohibited by the task order, applicable laws, or regulations. Crowe did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Border Patrol Facilities, Nimroz Support, and Other Direct Costs	\$6,701	\$0	\$6,701
Totals	\$6,701	\$0	\$6,701

Crowe did not identify any prior audits or assessments that pertained to AECOM's construction of the Nimroz province border patrol facilities or were material to the SPFS. Accordingly, there were no corrective actions required for follow up by Crowe.

Crowe issued a disclaimer of opinion on AECOM's Special Purpose Financial Statement because AECOM did not fully and accurately allocate costs incurred by contract line item number. As a result, Crowe could not determine whether adjustments to the SPFS were necessary.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at the Air Force Civil Engineer Center:

1. **Determine the allowability of and recover, as appropriate, \$6,701 in questioned costs identified in the report.**
2. **Advise AECOM to address the report's two internal control findings.**
3. **Advise AECOM to address the report's five noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

October 24, 2016

The Honorable Ashton B. Carter
Secretary of Defense

General Joseph L. Votel
Commander, U.S. Central Command

General John W. Nicholson
Commander, U.S. Forces–Afghanistan and
Commander, Resolute Support

General Ellen M. Pawlikowski
Commander, U.S. Air Force Materiel Command

Mr. Randy E. Brown
Director, Air Force Civil Engineer Center

We contracted with Crowe Horwath LLP (Crowe) to audit the costs incurred by AECOM Technical Services (AECOM) under a task order awarded by the 772nd Enterprise Sourcing Squadron, in support of the Air Force Center for Engineering and the Environment—reorganized in 2012 as the Air Force Civil Engineer Center.¹ The purpose of the task order was to support the design and construction of border patrol facilities in Nimroz province, Afghanistan. Crowe's audit covered \$26,711,594 in expenditures charged to the task order from August 30, 2011, through February 14, 2014. Our contract required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of audit, SIGAR recommends that the contracting officer at the Air Force Civil Engineer Center:

- 1. Determine the allowability of and recover, as appropriate, \$6,701 in questioned costs identified in the report.**
- 2. Advise AECOM to address the report's two internal control findings.**
- 3. Advise AECOM to address the report's five noncompliance findings.**

The results of Crowe's audit are detailed in the attached report. We reviewed Crowe's report and related documentation. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on AECOM's Special Purpose Financial Statement. We also express no opinion on the effectiveness of AECOM's internal control or compliance with the task order, laws, and regulations. Crowe is responsible for the attached auditor's report and the conclusions expressed in the report. However, our review disclosed no instances where Crowe did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

¹ The Air Force Center for Engineering and the Environment awarded contract no. FA8903-06-D-8520, task order 0030 to AECOM.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-088)



AECOM Technical Services
Nimroz Border Patrol Facilities, Nimroz Province, Afghanistan
Special Purpose Financial Statement
For the Period August 30, 2011, through February 14, 2014
(With Independent Auditor's Report Thereon)

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www.crowehorwath.com

**Crowe Horwath LLP**

Independent Member Crowe Horwath International

750 North Saint Paul Street, Suite 850

Dallas, Texas 75201-3236

Tel +1 214 777 5200

Fax +1 214 777 5202

www.crowehorwath.com

Transmittal Letter

September 27, 2016

AECOM Technical Services

Mr. Anshooman Aga, Chief Financial Officer, DCS Americas Support Services

4168 Southpoint Parkway

Jacksonville, Florida 32216

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 AECOM Technical Services' ("AECOM") contract task order with the United States Department of the Air Force funding the provision of support to the Nimroz Border Patrol Facilities.

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 report, we considered comments, feedback, and interpretations of AECOM, the Office of the Special Inspector General for Afghanistan Reconstruction, and the U.S. Department of the Air Force provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses have been incorporated herein.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Melinda DeCorte", with a long horizontal flourish extending to the right.

Melinda DeCorte, CPA, Partner
Crowe Horwath LLP



www.crowehorwath.com

Summary

Background

On August 22, 2011, the 772nd Enterprise Sourcing Squadron, in support of the United States Air Force Center for Engineering and the Environment ("AFCEE") – reorganized in 2012 as the Air Force Civil Engineer Center ("AFCEC") – issued URS Group, Inc. ("URS") a cost plus fixed fee task order under contract number FA8903-06-D-8520. The audit was limited in scope to the performance under the task order – task order 30. The task order's period of performance spanned from August 30, 2011, through April 18, 2013, and included an initial value of \$26,862,890. [REDACTED]. Subsequent to the initial award, the task order was modified fourteen times. The award ceiling was decreased to \$26,711,594, and the period of performance was extended to February 14, 2014.

Subsequent to the period of performance, URS was acquired by AECOM Technology. URS was then reorganized to become AECOM Technical Services, Inc. In consideration of this change, the audit report has been issued to AECOM Technical Services ("AECOM"), and AECOM serves as the auditee.

The purpose of the task order was to design and construct facilities and infrastructure for Border Patrol Company headquarters at Kang, Burjas, and Taba E Talib, and one border crossing point at Zarang. Each of the aforementioned locations is located within Nimroz Province. Work at the Burjas and Taba E Talib sites was terminated at the convenience of the Government effective with the September 2012 issuance of modification four to the task order. In performing the work authorized under the task order, [REDACTED]. In addition to the costs incurred and reimbursed by the Government, AECOM invoiced the Government for [REDACTED]. Total revenue earned on the task order, therefore, totaled \$26,711,594.

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 AECOM's 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 task order presents fairly, in all material respects, revenues earned, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the task order and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

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

Audit Objective 3 – Compliance

Perform tests to determine whether AECOM complied, in all material respects, with the task order's requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the task order 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 AECOM 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 or other financial data significant to the audit objectives.

Scope

The scope of the audit included the period August 30, 2011, through February 14, 2014. The audit was limited to those matters and procedures pertinent to the task order that have a direct and material effect on the Special Purpose Financial Statement ("SPFS"). The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

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

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 accounting principles generally accepted in the United States of America; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the award if the cost benefited multiple objectives; and were adequately supported.

With regard to Audit Objective 2 regarding internal control, Crowe requested and the auditee provided copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by AECOM. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 requires that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the task order. Crowe identified – through review and evaluation of the task order and the primary contract executed by and between URS (now AECOM Technical Services) and the United States Department of the Air Force, the Federal Acquisition Regulation (“FAR”), and the Defense Federal Acquisition Regulation Supplement, and the Air Force Federal Acquisition Regulation Supplement – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including but limited to audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected expenditures, invoices submitted to the Government for payment, procurements, property and equipment dispositions, and subcontracts issued under the contract and corresponding costs incurred. Supporting documentation was provided by the auditee and subsequently evaluated to assess AECOM'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 indirect cost rate memoranda issued by the Defense Contract Management Agency. We also performed procedures to determine if adjustments to billings that were based on preliminary or provisional rates were made, as required and applicable.

Regarding Audit Objective 4, Crowe inquired of AECOM, the United States Department of the Air Force staff participating in the audit entrance conference, and SIGAR to understand whether or not there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. As a result of the aforementioned efforts, we identified three prior reports for review and evaluation. The reports pertained to entities that are related to AECOM; however, none of the reports were specifically related to AECOM Technical Services or to the task order under audit. Therefore, the reports and the results contained therein contributed to Crowe's risk assessment procedures but procedures to assess corrective action taken in response to matters noted in the prior reports were not considered necessary.

Summary of Results

Upon completion of Crowe's procedures, Crowe identified five 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 task order; and/or (4) questioned costs resulted from identified instances of noncompliance.

Crowe issued a disclaimer of opinion on the Special Purpose Financial Statement due to AECOM not having a process to allocate actual costs incurred by contract line item number.

Crowe also reported on both AECOM's compliance with the applicable laws, rules, regulations, and the terms and conditions of the contract task order and the internal controls over compliance and financial reporting. Two material weaknesses in internal control and five instances of noncompliance were reported. Where internal control and compliance findings pertained to the same matter, they were consolidated within a single finding. A total of \$6,701 in costs was questioned. Questioned costs are presented in **TABLE A** contained herein.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to AECOM's financial performance under the contract task order. Based on Crowe's communications with AECOM and the U.S. Air Force staff members participating in the audit entrance conference, there were no such prior audit or assessment reports. Therefore, no corrective action was required for follow-up. **Section 2: Summary Schedule of Prior Audit and Review Findings** provides more details of relevant findings.

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
2016-01	Costs Incurred that Exceed Contract Line Item Number (CLIN) Limits/Appropriations	\$0
2016-02	Inability to Allocate Costs Incurred by CLIN	\$0
2016-03	Purchase of Unallowable General Purpose Office Equipment	\$6,238
2016-04	Lack of Support for Proper Disposition of Equipment and Property	\$0
2016-05	Misallocated Travel Expenses	\$463
Total Questioned Costs		\$6,701

Summary of Management Comments

Management disagreed with findings 2016-01 and 2016-02 based on management's interpretation of the task order. Specifically, management interpreted the task order's identification of funding limits by contract line item number (CLIN) to not be applicable; rather, management considered only the total task order ceiling to apply and to place limits on spending and payment. Regarding finding 2016-03, management did not consider the prime contract restriction on direct charging general purpose office equipment and information technology items to the award to be applicable to the task order.

Management did not dispute audit findings 2016-04 and 2016-05.

References to Appendices

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

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

AECOM Technical Services
Mr. Anshooman Aga, Chief Financial Officer, DCS Americas Support Services
4168 Southpoint Parkway
Jacksonville, Florida 32216

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 were engaged to audit the Special Purpose Financial Statement ("the Statement") of AECOM Technical Services ("AECOM"), and related notes to the Statement, with respect to the Nimroz Border Patrol Facilities in Nimroz Province, Afghanistan, project funded by contract number FA8903-06-D-8520, task order 0030, for the period August 30, 2011, through February 14, 2014.

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 IV of Solicitation ID11140014019 ("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 conducting the 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management did not establish a process to fully and accurately allocate costs incurred by contract line item number ("CLIN"). In the absence of such a process and corresponding supporting documentation that would permit testing of the allocations for accuracy, we could not determine whether any adjustments to the allocations of cost by CLIN appearing on the Statement might have been necessary.

Disclaimer of Opinion on the Special Purpose Financial Statement

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Special Purpose Financial Statement.

Basis of Presentation

We draw attention to Note 1 to the Statement, which describes the basis of presentation. The Statement was prepared by AECOM in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction in Appendix IV of the Contract and presents those expenditures as permitted under the terms of contract number FA8903-06-D-8520, task order 0030, 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 Award referred to above.

Restriction on Use

This report is intended for the information of AECOM Technical Services, the United States Department of the Air Force, 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 September 26, 2016, on our consideration of AECOM's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AECOM's internal control over financial reporting and compliance.

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

Crowe Horwath LLP

September 26, 2016
Dallas, Texas

AECOM Technical Services
Special Purpose Financial Statement
Contract No. FA8903-06-D-8520, Task Order 30
For the Period August 30, 2011, through February 14, 2014

	<u>Questioned Costs</u>				
	<u>Budget</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Notes</u>
<i>Revenues</i>					
Contract No. FA8903-06-D-8520, Task Order 30	\$ [REDACTED]	\$ [REDACTED]			
Plus Contract Fees	\$ [REDACTED]	\$ [REDACTED]			
Total Revenue	\$ 26,711,594	\$ 26,711,594			4
<i>Costs Incurred</i>					
CLIN No. 1008AA, Border Patrol Company, HQ Kang	\$ [REDACTED]	\$ [REDACTED]			6
CLIN No. 1008AB, Border Patrol Company, HQ Burgas	\$ [REDACTED]	\$ [REDACTED]			
CLIN No. 1008AC, Border Patrol Company, HQ Taba E Talib	\$ [REDACTED]	\$ [REDACTED]			
CLIN No. 1008AD, Border Crossing Point, Zarang	\$ [REDACTED]	-			
CLIN No. 1008AA01, Border Crossing Point, Zarang	\$ [REDACTED]	-			
CLIN No. 1008AA02, Border Crossing Point, Zarang	\$ [REDACTED]				
CLIN No. 1008AE, Border Crossing Point, Zarang Desgn & Constr	\$ [REDACTED]				
CLIN No. 1008AF, Border Crossing Point, Zarang Desgn & Constr	\$ [REDACTED]				
Total Zarang Costs	\$ 10,678,590	\$ 13,957,178			A
CLIN No. 1008AG, Border Patrol Facilities, Nimroz	-	-			
Support and ODC's		\$ [REDACTED]	\$ 6,701		B, C
Total Costs Incurred and Billed	\$ [REDACTED]	\$ [REDACTED]	\$ 6,701	\$ -	
Balance Before Fees		\$ [REDACTED]			
Fees Billed to Date		\$ [REDACTED]			
Balance		\$ -			7

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

AECOM Technical Services (formerly URS Group, Inc.)
Notes to the Special Purpose Financial Statement
For the Period August 30, 2011, through February 14, 2014

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Number FA8903-06-D-8520, task order 30 for the Design & Construction of Nimroz Border Patrol Facilities, Nimroz Province, Afghanistan for the period August 30, 2011 through February 14, 2014. Because the Statement presents only a selected portion of the operations of the AECOM Technical Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of AECOM Technical Services. 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 and 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 on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in FAR 31.20102, *Determining Allowability*, and FAR 31.20104, *Determining Allocability*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Organizational History and Acquisition

Contract No. FA8903-06-D-8520 was executed with and performed by URS Group, Inc. As of October 2014, URS Group, Inc. was acquired and is now an AECOM Company.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which AECOM Technical Services is entitled to receive from the United States Air Force ("USAF") for allowable, eligible costs incurred under the task order and fees earned during the period of performance.

Note 5. Revenue Recognition

Revenue is recognized using the Percentage of Completion method. Estimates at Completion are completed monthly.

Note 6. Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line items presented within the final, Air Force-approved task order budget adopted as a component of the Modification Number 14 to the task order dated February 20, 2015.

Note 7. 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 task order 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.

(Continued)

Note 8. Currency

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

Note 9. Program Status

The Design & Construction of Nimroz Border Patrol Facilities project is currently inactive. The period of performance for the task order was scheduled to conclude on February 14, 2014, as noted in modification number 9 dated January 22, 2013. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of settlement of final rates for task order years FY2011 through FY2014.

Note 10. Reconciliation to Invoiced Amounts

Total Invoiced Costs	\$ 26,711,594
Total Costs per SPFS	<u>26,711,594</u>
Variance	<u>\$ -</u>

Actual costs at Provisional Billing Rates exceed the total task order amount by \$10,860.27. Final rates for the task order years have not yet been audited and finalized. As AECOM has billed and received payment for the full task order amount, we are not anticipating recovery of any additional costs due to changes in rates.

Note 11. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the August 30, 2011, through February 14, 2014 period covered by the Statement. Management has performed their analysis through September 26, 2016.

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

Note A. Costs Incurred that Exceed CLIN Limits/Appropriations

Finding 2016-01 identified an overcharge of \$3,278,588 as a result of AECOM's having exceeded the funding breakdown limits established for work performed at the Zarang location. Limits per CLIN were presented within the task order. The amounts are not reflected as questioned costs due to the Government indicating that the Contracting Officer at the time may have informally indicated that the funding limits are non-binding. Supporting documentation to support the position that the Contracting Officer is assumed to have taken was not provided.

Note B. Purchase of Unallowable GPOE

Finding 2016-03 questioned \$6,238 due to the purchase of general purpose office equipment and information technology items, which are expressly prohibited by the contract.

Note C. Misallocated Travel Expenses

Finding 2016-05 reported \$463 in questioned costs due to the misallocation of travel expenses to task order 30 that should have been charged to task order 29.

¹ Notes to the Questioned Costs are prepared by the auditor for purposes of this report. Management takes no responsibility for the notes to the questioned costs.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

AECOM Technical Services
Mr. Anshooman Aga, Chief Financial Officer, DCS Americas Support Services
4168 Southpoint Parkway
Jacksonville, Florida 32216

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

We were engaged to audit, 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 AECOM Technical Services ("AECOM"), and related notes to the Statement, with respect to the Nimroz Border Patrol Facilities in Nimroz Province, Afghanistan, project funded by contract number FA8903-06-D-8520, task order 0030, for the period August 30, 2011, through February 14, 2014. We have issued our report thereon dated September 26, 2016, within which we disclaimed an opinion because of an inability to obtain sufficient, appropriate audit evidence necessary to conclude that costs were recorded accurately by contract line item number.

Internal Control over Financial Reporting

AECOM'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 the task order; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Note 1 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement for the period August 30, 2011, through February 14, 2014, we considered AECOM's internal controls to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of AECOM's internal control. Accordingly, we do not express an opinion on the effectiveness of AECOM's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Statement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(Continued)

Our consideration of internal control was for the limited purpose described in the second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as findings 2016-01 and 2016-02 that we consider to be material weaknesses.

AECOM Technical Services' Response to the Findings

AECOM's response to the findings identified in our audit are described in Appendix A to the audit report. AECOM'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 AECOM Technical Services, the United States Department of the Air Force, 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

September 26, 2016
Dallas, Texas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

AECOM Technical Services
Mr. Anshooman Aga, Chief Financial Officer, DCS Americas Support Services
4168 Southpoint Parkway
Jacksonville, Florida 32216

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

We were engaged to audit, 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 AECOM Technical Services ("AECOM"), and related notes to the Statement, with respect to the Nimroz Border Patrol Facilities in Nimroz Province, Afghanistan, project funded by contract number FA8903-06-D-8520, task order 0030, for the period August 30, 2011, through February 14, 2014. We have issued our report thereon dated September 26, 2016, within which we disclaimed an opinion because of an inability to obtain sufficient, appropriate audit evidence necessary to conclude that costs were recorded accurately by contract line item number.

Management's Responsibility for Compliance

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

Compliance and Other Matters

In connection with our engagement to audit the Special Purpose Financial Statement of AECOM, 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 five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Findings 2016-01, 2016-02, 2016-03, 2016-04, and 2016-05 in the accompanying Schedule of Findings and Questioned Costs. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the Statement, other instances of noncompliance or other matters may have been identified and reported herein.

AECOM Technical Services' Response to the Findings

AECOM's response to the findings identified in our audit are described in Appendix A to the audit report. AECOM'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 compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of AECOM Technical Services, the United States Department of the Air Force, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The script is cursive and fluid.

Crowe Horwath LLP

September 26, 2016
Dallas, Texas

Finding 2016-01: Costs Incurred that Exceed CLIN Limits/Appropriations

Criteria: The Government provided funding, inclusive of final adjustments through contract task order modifications, as follows for the Zarang project site on a per contract line item number (CLIN) basis:

The \$10,906,402 amount includes [REDACTED]

Condition: AECOM incurred \$13,957,178 in costs for Border Crossing Point - Zarang project. The Government approved funding for \$10,678,590 under the following CLINs' funding breakdowns/appropriation limits: 1008AD, 1008AA01, 1008AA02, 1008AE, and 1008AF. The total overage amounts to \$3,278,588.

Through verbal discussion with the 772nd Enterprise Sourcing Squadron/PKA (ESS/PKA), which handled contract administration, we learned that the Contracting Officer assigned during the period of performance may have informally authorized AECOM to exceed the funding limits established by CLIN. As such, the limits may be considered non-binding. Written evidence of this requirement and appropriation limit having been waived was not provided by AECOM or the 772nd ESS/PKA. Therefore, AECOM is considered to be noncompliant; however, the costs have not been questioned.

Effect: The Government was charged and paid more than was planned or authorized for work performed at the Zarang project site.

Cause: AECOM did not consider the funding limits by CLIN as presented in the task order to be applicable or to be binding on the company and instead chose to manage to the total task order estimated cost amount.

Recommendation: We recommend that AECOM locate written documentation from the Contracting Officer issued during the period of performance that authorized the funding breakdown to be exceeded.

Finding 2016-02: Inability to Allocate Costs Incurred by CLIN

Material Weakness and Noncompliance

Criteria: Section G of the contract task order, *Invoice & Payment Procedure*, states “Contractor shall utilize the specific CLINs and Project numbers called out in the task order for work to be performed.

FOR EXAMPLE:

1008AA Construction of Border Patrol Company, HQ Kang
1008AB Construction of Border Patrol Company, HQ Burjas
1008AC Construction of Border Patrol Company, HQ Taba E Talib
1008AD Construction of Border Crossing Point, Zarang
1009 Data (Not Separately Priced)”

Condition: During our transaction testing, we noted that AECOM did not develop a process to allocate all costs incurred by CLIN, as required by the task order. Subcontractor costs were noted to have been allocated appropriately; however, we identified five Defense Base Act (DBA) workers compensation insurance premiums and 40 labor charges within a sample of 91 transactions that were not appropriately allocated by CLIN. The total labor and DBA insurance premium costs identified in the population of transactions is \$1,281,635.

In addition, costs classified as “Support and Other Direct Costs” on the Special Purpose Financial Statement were allocated to the task order overall and not to specific CLINs. The total Support and Other Direct Costs amounted to \$3,994,052.

Questioned costs: None

Effect: Billings submitted to the Government may be considered improper due to the noncompliance. Furthermore, due to costs not having been allocated by CLIN, a fully accurate comparison of actual costs per CLIN to the contract funding limits per CLIN cannot be assembled. This may result in costs being incurred and reimbursed above the funding limits without the Government’s awareness.

Cause: Instead of using CLIN allocation for Program Management Office costs, AECOM elected to use a cost allocation methodology that did not align with the task order’s requirements. With regard to support and other direct costs, AECOM did not consider allocation by CLIN to be necessary.

Recommendation: We recommend that AECOM document its procedure for allocation of costs incurred under cost reimbursement contracts and require that, at the time AECOM enters into a contract, the procedure be evaluated for full compliance with the terms and conditions of the award and obtaining written approval from the Contracting Officer for any deviations from the award’s requirements.

Finding 2016-03: Purchase of Unallowable General Purpose Office Equipment

Noncompliance

Criteria: The indefinite delivery indefinite quantity (IDIQ) contract under which TO 30 was issued includes the following provision:

PKV-H010 Notice of non-allowability of direct charges for general purpose office equipment and general purpose automated data processing equipment (May 2005)

(a) Notwithstanding the ALLOWABLE COST AND PAYMENT CLAUSE, 52.216-7, of Section I, costs for the acquisition of General Purpose Office Equipment (GPOE) and Information Technology (IT) shall not be considered as an allowable direct charge to this contract.

(b) GPOE refers to the equipment normally found in a business office such as desks, chairs, typewriters, calculators, file cabinets, etc., that are obtainable on the open market. IT is defined in FAR 2.101

Under the URS Accounts Payable procedure in effect during the period of performance, the Project Manager was responsible for approval of project costs, including reviews for allowability.

Condition: During testing for allowable costs, we identified one invoice for an IT purchase that is not permitted in accordance with the terms of the IDIQ. The cost was incurred for a server, in the amount of \$2,500, for an information technology (IT) network. We performed an additional search of the property and equipment records to determine whether additional prohibited purchases may have occurred. An additional \$3,738 in questioned costs were identified during the property population review. Total questioned costs amounted to \$6,238.

Management indicated that the company considered the purchases to have been client directed due to language contained in the solicitation documents. However, the solicitation document references the purchase and provision of IT items for the use of Governmental staff and "in the Government Staff office." Management did not provide documentation to support an allocation of the general purpose office equipment and information technology (i.e., the portion only used to support Government staff) to support the potential allowance of these charges. In the absence of documentation showing that Government staff used any of the items, the full amount of the costs are in question.

Questioned costs: \$6,238

Effect: The billing and reimbursement of unallowable costs results in less funds being available for project execution and a greater disbursement of Federal funds than necessary or required for implementation.

Cause: AECOM did not establish a process to support the allocation of GPOE and IT purchases for purposes of supporting Government staff.

Recommendation: We recommend that the AECOM reimburse the Government \$6,238. Alternatively, AECOM should produce written, auditable documentation supporting an allocation of the GPOE and IT costs between Government support and AECOM personnel support such that the Government may identify the portion of the \$6,238 that should be reimbursed by AECOM.

Finding 2016-04: Lack of Support for Proper Disposition of Equipment and Property

Noncompliance

Criteria: The Contracting Officer provided disposition instructions to AECOM via email effective July 5, 2012, stating, "I am directing that URS take any rebar out of the ground or any other obvious hazards. The rest of the materials can be used for Kang and Zarang or sold back for a credit."

Condition: AECOM did not produce documentation indicating that equipment and property items were disposed of in accordance with the Contracting Officer's written directive. The error was noted with respect to all 16 of items selected for testing from the population of 88.

The table, below, summarizes the items that are missing proper disposition support. Note that empty cells were also unpopulated in the source file provided by AECOM.

ITEM NBR	ITEM DESCRIPTION	GF or CA?	PROPERTY CLASSIFICATION	CONDITION CODE	QTY	UNIT*	COST
11	Welding machine	CAP	Equipment	4	1	Pcs	
12	CMU Machine	CAP	Equipment	7	3	Pcs	
15	Rebar Cutter Handy	CAP	Equipment	4	3	Pcs	
17	Power Generator 20 kw China	CAP	Equipment	4	2	Pcs	
18	Power Generator 30 kw TATA	CAP	Equipment	4	1	Pcs	
20	Diesel	CAP	Equipment	1	1320	Litter	
24	Water Pump 3 inch	CAP	Equipment	4	3	Pcs	
25	Pickax	CAP	Equipment	4	68	Pcs	
26	Shovel	CAP	Equipment	4	131	Pcs	
27	Hummer	CAP	Equipment	4	12	Pcs	

(Continued)

ITEM NBR	ITEM DESCRIPTION	GF or CA?	PROPERTY CLASSIFICATION	CONDITION CODE	QTY	UNIT*	COST
37	Wheel Borrow	CAP	Equipment	4	63	Pcs	
42	Tongs and pliers	CAP	Equipment	4	5	Pcs	
64	Projector light	CAP	Equipment	4	4	Pcs	
66	Washing machine	CAP	Equipment	4	1	Pcs	
71	Lamp	CAP	Equipment	1	30	Pcs	
83	Oil pump	CAP	Equipment	4	2	Pcs	

* AECOM utilized both "pcs" and "Pcs" within its source documentation. The table has been modified for consistency to present the unit as "Pcs." "Pcs" is an abbreviation for "pieces."

Questioned costs: None. Items were purchased under a fixed price subcontract such that the costs of such items were not direct billed to the contract. Therefore, the costs were not reimbursed to AECOM or the subcontractor and are not governed by the disposition requirements that would otherwise result in questioned costs.

Effect: The items identified for disposition may have been provided to improper parties or used for purposes other than those identified by the Government. With respect to items that may have been sold, the Government may not have received the credit owed.

Cause: AECOM did not implement a process to track the disposition of equipment and property in response to the Contracting Officer's instructions.

Recommendation: We recommend that AECOM conduct remedial training regarding management of subcontractors purchasing equipment and property and, within the scope of the training, include instruction regarding disposition and retention of supporting documentation.

(Continued)

Finding 2016-05: Misallocated Travel Expenses

Noncompliance

Criteria: The commercial entity cost principles state,
31.201–4 Determining allocability.

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

- (a) Is incurred specifically for the contract;
- (b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or
- (c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.

URS Policy and Procedure Number 074.022, *Reimbursement of Employee Expenses and Processing of Cash Advances (U.S. and Canadian Offices)*, in effect during the period of performance requires approval of all expense reports by the applicable employee's immediate supervisor or their designated delegate.

Condition: During our testing of transactions, we identified one expense report dated January 4, 2012, that included costs unallocable to task order (TO) 30. The total expense report amount was \$1,285 and pertained to costs incurred on November 7 - 10, 2011. We evaluated the full amount and contents of the expense report. During our review, we noted the following:

- The expense report indicates that work was performed on multiple HERC projects; however, the full amount of the expense report was charged to TO 30. The employee's time records for the month indicated that his time was divided between two task orders - 52% on TO 30 and 48% on TO 29. Accordingly, only 52% of the expense report amount should be allocated to TO 30.
- The expense report included a \$20 cover charge for the bar and restaurant that would be considered unallowable. This amount was reversed on a future invoice;
- The expense report included a \$300 meal charge that included \$44 in alcohol and \$256.14 in meals. The \$44 was not billed to the contract and the \$256.14 was reversed on a future invoice.

The remaining balance of the expense report, \$965, should have been allocated as follows: \$502 to TO 30 and \$463 to TO 29. The \$463 is considered to have been improperly allocated to TO 30.

Questioned costs: \$463

Effect: Task Order 30 was overcharged for travel expenses.

Cause: The employee applied all costs to the TO 30 job number when completing his expense report, and the error was undetected during review.

Recommendation: We recommend that AECOM reimburse the Government \$463. We also recommend that AECOM issue a memorandum to individuals working on multiple Federal projects to reiterate the requirement to allocate costs between Federal awards as appropriate.

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

Per discussion with AECOM and representatives of the U.S. Air Force, no prior audits, reviews, or assessments were conducted over the contract task order under audit. Accordingly, there were no corrective actions required for follow-up by Crowe Horwath.

APPENDIX A: VIEWS OF RESPONSIBLE OFFICIALS



AECOM
1999 Avenue of the Stars
Suite 2600
Los Angeles, CA 90067
United States

September 26, 2016

Crowe Horwath LLP Independent Member Crowe Horwath International
750 North Saint Paul Street, Suite 850
Dallas, Texas 75201-3236
Attn: Melinda DeCorte, CPA, Partner

Subject: Crowe Horwath Draft Audit Report - Contract number FA8903-06-D-8520, Task Order 30

Dear Ms. Decorte,

AECOM appreciates the opportunity to review the subject audit report.

Attached is our response to the findings.

Should you have any questions, please feel free to contact me at 904-383-3450.

Sincerely,



A handwritten signature in black ink, appearing to read "Raymon H. Thompson II".

AECOM
Raymon H. Thompson II
Vice President, Government Accounting

Attachment

AECOM Response to Crowe Horwath Findings Contract Number FA8903-06-D-8520, Task Order 30

Finding 2016-01: Costs Incurred that Exceed CLIN Limits an Appropriations.

The basis for this finding is the Auditors' interpretation of the contractual funding limit required under this contract.

As alluded to in the audit report, Schedule B of the Contract does, in fact, depict estimated cost and fee by CLIN. The amounts are then aggregated to show a total CPFF amount of \$26,862,890. The next line of the contract states: "In accordance with FAR 52.232.20, entitled "Limitation of Cost", estimated cost is \$25,342,349.00." (Note: this is the cost amount, net of the fixed fee)

Limitation of cost is the basis of cost reimbursable contracting and is used by the Government to establish and enforce contractual cost ceilings. By establishing the "limitation of Cost" at the total delivery order ceiling, the Government is clear in their intent on how they will financially manage the contractor. Clause 32.704, Limitation of Cost or Funds is provided below.

32.704 -- Limitation of Cost or Funds.

(1) When a contract contains the clause at 52.232-20, Limitation of Cost; or 52.232-22, Limitation of Funds, the contracting officer, upon learning that the contractor is approaching the estimated cost of the contract or the limit of the funds allotted, shall promptly obtain funding and programming information pertinent to the contract's continuation and notify the contractor in writing that --

(i) Additional funds have been allotted, or the estimated cost has been increased, in a specified amount;

(ii) The contract is not to be further funded and that the contractor should submit a proposal for an adjustment of fee, if any, based on the percentage of work completed in relation to the total work called for under the contract;

(iii) The contract is to be terminated; or

(iv)

(A) The Government is considering whether to allot additional funds or increase the estimated cost,

(B) The contractor is entitled by the contract terms to stop work when the funding or cost limit is reached; and

(C) Any work beyond the funding or cost limit will be at the contractor's risk.

Additionally, to support their finding that the CLINS represented contractual ceilings, the Auditors referenced Section G of the task order. This is the clause that addresses the invoice and payment procedures. This clause does not establish cost ceilings. The Auditors focused on the last line of the clause which states:

"Contractor shall utilize the specific CLINs and Project numbers called out in the task order for work to be performed".

The preceding line of the clause states:

"Submit invoices electronically through the WAWF at <<https://wawf.eb.mil>> with the pertinent supporting documentation, cost/schedule/status reports, as attachments. (Emphasis added) Contractor shall utilize the specific CLINs and Project numbers called out in the task order for work to be performed."

Costs were tracked by CLIN as presented in the various cost/schedule/status reports. However, the cost ceiling was contractually established at the Task Order level as reflected in the Limitation of Cost clause.

Although no costs were questioned under this finding, AECOM disagrees with how the finding is portrayed in the Audit Report

Finding 2016-02: Inability to Allocate Cost incurred by CLIN

The Audit report states that certain costs (support costs, DBA insurance, etc.) were not allocated to the specific CLINS. The Audit report further states that based on this finding "billings submitted to the Government may be considered improper" and "may result in costs being incurred and reimbursed above the funding limits."

As stated in our response to Finding 2016-01, AECOM strongly feels that the funding limit and contractual ceiling are at the Task Order level and not the CLIN level. Thus, AECOM takes exception to any suggestion that the findings specified in 2016-02 would result in any of the billings being considered improper.

As reflected in the statement of work, the services were being provided as part of a Hub and Spoke operation. As stated in Appendix C2A of the Task Order, "under Hub and Spoke operations the Contractor shall establish a Life Support Area (LSA) in a central base of operations where their main project team shall reside, while each Spoke location is manned by an on-site project team responsible for day-to-day oversight."

Under this scenario, allocation of costs to various CLINs or SubCLINS (spokes) becomes somewhat subjective.

Although no costs were questioned under this finding, AECOM disagrees with how the finding is portrayed in the Audit Report.

Finding 2016-03: Purchase of Unallowable General Purpose Office Equipment

The Audit report references the below clause in the ID/IQ contract.

PKV-H010 - Notice of non-allowability of direct charges for general purpose office equipment and general purpose automated data processing equipment (May 2005)

ID/IQ contracts often contain contract clauses that are aren't applicable to specific Task Orders. For instance, an ID/IQ that contemplates both fixed price and cost plus task orders will contain both sets of clauses. However, the fixed price billing clauses wouldn't be applicable on a cost plus task order.

In this specific case, Appendix C8 of the task order provides Design Standards for the billeting and office trailer for the AFCEE COR, Title II, and visiting Government personnel. Those standards include internet connectivity and other peripheral equipment.

The audit report seems to acknowledge that Clause PKV-H010 is not applicable at the task order level, but then questions the cost based on the contractor's inability to provide "documentation showing that Government staff used any of the items." Whether or not the Government used what they requested the contractor to provide is not a basis for determining whether a cost is reimbursable. In addition, it should be noted that the items being questioned were included as part of the property inventory turned over to the client at the end of the project.

The cost was incurred, it was allocable and allowable. The cost should be considered reimbursable to the contractor.

Finding 2016-04: Lack of Support for Proper Disposition of Equipment and Property

AECOM will not dispute the finding.

Finding 2016-05: Misallocated Travel Expenses

AECOM will not dispute the finding.

APPENDIX B: AUDITOR'S REBUTTAL

Crowe Horwath LLP ("Crowe" or "we" or "us") has reviewed the letter dated September 26, 2016, containing AECOM's responses to the draft audit report. In consideration of those views, Crowe has included the following rebuttal to certain matters presented by the auditee. A rebuttal has been included in those instances where management disagreed with an audit finding. In those instances where management has not disputed the finding, as presented, no rebuttal has been provided. Crowe did not deem it necessary to modify any of the findings following our review of management's comments.

Finding 2016-01

The auditee disagreed with the finding based on 1) management's conclusion that the Limitation of Cost provision at FAR 52.232-20 establishes a limit on costs at the total task order level – not at the contract line item number (CLIN) level; and 2) management's interpretation that Section G of the task order does not establish cost ceilings.

With regard to the limitation of cost provision, management is correct in that the clause does establish a ceiling at the total task order level. However, the provision is not applicable to this finding as the audit finding neither cites AECOM's noncompliance with this specific provision nor asserts that AECOM did not notify the Government in an advance of the total task order value having been exceeded. Rather, the finding cites AECOM's noncompliance with the CLIN ceilings established within the task order itself.

With respect to the CLIN ceilings established within the task order, such ceilings do appear within Section G. Management is correct in that Section G does present invoicing and payment procedures. Within the section, the Government has included specific CLINs that AECOM is required to use and specifies the "Appropriation/Lmt" per CLIN. The "appropriation/lmt" is presented per CLIN and includes the obligation amount. Accordingly, costs that exceed the limits presented per CLIN would be considered improper. The applicable excerpt from the base task order appears immediately below (*italics added by Crowe to distinguish between task order language and Crowe's rebuttal*).

ACRN	Appropriation/Lmt Subhead/Supplemental Accounting Data	Obligation Amount
AA		\$26,862,890.00
	2102091000 08A2 0 84 P220 0000THR3230 83RF 6NMIPR0GRF6N00 29RF6N 83S090	
	Funding breakdown:	
	On CLIN 1008AA:	\$5,240,113.00
	On CLIN 1008AB:	\$5,274,381.00
	On CLIN 1008AC:	\$5,290,698.00
	On CLIN 1008AD:	\$11,057,698.00
	PR/MIPR:	F2MUAA1209B006 \$26,862,890.00
	PR Long line:	21 0 2091 0000 8A 2084 P2200000THR 3230 83RF6N
	MIPR0GRF6N0029 RF6N83 S09076	
	Descriptive data:	
	AFGHAN 11-010	
	MIPR# MIPR0GRF6N0029, Amendment 2. issue date: 12 Jan 11, Exp: 30 Sep 11	
	CIN: F2MUAA1209B0060000AA	
	PR COMPLETE	

In consideration of the above, no change to the finding is warranted.

(Continued)

Finding 2016-02

Management disagreed with the finding based on its assertion that the funding limits are established at the overall task order level as opposed to the CLIN level. As noted in our rebuttal to management's response to Finding 2016-01, management's conclusion appears to be in error based on the provisions of the task order itself.

Management also indicated that it considered the allocation of costs to various CLINs to be "somewhat subjective" due to its use of a "Hub and Spoke" model. While the task order does not mandate the accounting methodology and specific cost allocation approach that AECOM must use, it does expressly require that AECOM assign costs to the applicable CLINs identified in Section G of the task order for purposes of invoicing and payment.

Lastly, management disagreed with "how the finding is portrayed in the Audit Report." Whereas management did not produce documentation sufficient to conclude that the allocations of costs by CLIN were accurate and supported, the identified noncompliance matter remains and the risk of improper billing has not been mitigated or otherwise relieved. Accordingly, the finding has not been changed.

Finding 2016-03

Management disagreed with the finding based on its assertion that indefinite delivery/indefinite quantity (ID/IQ) contract clauses often are not applicable to specific task orders. Neither the ID/IQ contract nor the task order indicate that the contract provision appearing in PKC-H010 that prohibits the direct charging of general purpose office equipment and information technology is not applicable to the task order. Therefore, the identified instance of noncompliance (i.e., improperly charging the cost of an expressly unallowable item to the contract) is unchanged and the finding has not been modified.

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
- U.S. fax: +1-703-601-4065

Public Affairs

Public Affairs Officer

- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202