

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR Financial Audit 13-2

Audit of Costs Incurred by Cardno Emerging Markets Group, LTD. in Support of USAID's Afghanistan State-Owned Enterprises Privatization, Excess Land Privatization, and Land Titling Project



JUNE
2013



SIGAR

**Office of the Special Inspector General
for Afghanistan Reconstruction**

June 6, 2013

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

Dr. S. Ken Yamashita
Mission Director for Afghanistan
U.S. Agency for International Development

This letter transmits the results of our audit of costs incurred by Cardno Emerging Markets Group, LTD. (EMG) under a contract in support of USAID's Afghanistan State-Owned Enterprises Privatization, Excess Land Privatization, and Land Titling Project for the period September 15, 2004, through October 14, 2009.¹ The audit was performed by Regis & Associates with SIGAR oversight. It covered \$55,589,542 in expenditures.

The purpose of the USAID contract was to assist the Afghan government with securing property registration, simplifying land titling procedures, and clarifying the legal framework supporting property rights; and in reforming, restructuring, and rationalizing state-owned enterprises.

The specific objectives of the audit were to

- render an opinion on the fair presentation of EMG's Fund Accountability Statement;²
- determine and report on whether EMG has taken corrective action on recommendations from prior audits or assessments.
- identify and report on significant deficiencies, including any material weaknesses, in EMG's internal financial controls; and
- identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.

In contracting with an independent audit firm and drawing from the results of their audit, SIGAR is required by auditing standards to provide oversight of the audit work performed. Accordingly, SIGAR reviewed Regis & Associates' audit results and their supporting audit documentation and found them to be in accordance with generally accepted government auditing standards.

Regis & Associates found that the Fund Accountability Statement presented fairly, in all material respects, revenues received and costs incurred under the contract and identified no recommendations from prior audits or assessments for follow-up or corrective action. Nevertheless, Regis reported two internal control deficiencies and two instances of noncompliance, which prompted the auditors to question a total of \$93,423 in costs. The \$93,423 in questioned costs included \$19,501 in ineligible costs³ and \$73,922 in unsupported costs.⁴ See table 1 below.

¹ USAID contract no. AFP-I-00-03-00029-00.

² The Fund Accountability Statement is a special purpose financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

³ Ineligible costs are costs that the auditor has determined to be unallowable. These costs are recommended for exclusion from the Fund Accountability Statement and review by USAID to make a final determination regarding allowability.

Table 1 - Summary of Questioned Costs

Category	Questioned Costs Total	Ineligible	Unsupported
Other direct costs ⁵	\$73,922		\$73,922
Third country national labor in excess of budget ⁶	\$19,501	\$19,501	
Totals	\$93,423	\$19,501	\$73,922

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

1. Determine the allowability of and recover, as appropriate, \$93,423 in questioned costs (\$19,501 ineligible and \$73,922 unsupported) identified in the report.
2. Advise the Cardno Emerging Markets Group, LTD. to address the two internal control findings identified in the report prior to applying for additional awards with USAID.
3. Advise the Cardno Emerging Markets Group, LTD. to address the two compliance findings identified in the report prior to applying for additional awards with USAID.

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

⁴ Unsupported costs are those costs for which adequate or sufficient documentation necessary for the auditor to determine the propriety of costs was not made available.

⁵ The unsupported other direct costs included office salaries, communication costs, office supplies, furniture and fixtures, office equipment, building maintenance, and consulting fees.

⁶ The ineligible third country national labor costs represent labor costs for individuals from other countries (other than U.S. citizens and Afghan nationals) in excess of the approved budget for the line item, without written approval from USAID.

**SPECIAL INSPECTOR GENERAL
FOR AFGHANISTAN RECONSTRUCTION**

REPORT ON

**FINANCIAL AUDIT OF COSTS INCURRED BY
CARDNO EMERGING MARKETS GROUP, LTD.
UNDER
CONTRACT NUMBER AFP-I-00-03-00029-00**

**FOR THE PERIOD
SEPTEMBER 15, 2004, THROUGH OCTOBER 14, 2009**



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EXECUTIVE SUMMARY

Summary of Results

The Special Inspector General for Afghanistan Reconstruction (SIGAR), contracted with Regis & Associates, PC to perform a financial audit of costs incurred by Cardno Emerging Markets Group, Ltd., (EMG) under Contract Number AFP-I-00-03-00029-00, between EMG and United States Agency for International Development (USAID) for the period September 15, 2004, through October 14, 2009. As a result of applying audit procedures in accordance with *Government Auditing Standards*, we questioned costs totaling \$93,423, as shown in the Fund Accountability Statement on page 2 of this report, and in the Summary of Findings and Recommendations section on page 8 of this report. A questioned cost is an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of Federal funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation.

Costs Claimed and Questioned Costs: EMG claimed total costs of \$55,589,542 during the period covered by the financial audit. As a result of testing a judgmentally selected sample of transactions, we questioned costs as shown below.

<u>Questioned Costs Type</u>	<u>Amount</u>
Unsupported	\$ 73,922
Ineligible	\$ 19,501
Total	<u><u>\$ 93,423</u></u>

Details of the questioned costs are discussed in Findings 1 and 2 in the Summary of Findings and Recommendations section on page 8 of this report.

Internal Control and Compliance: The detailed results from applying our audit procedures showed instances of non-compliance with contract provisions, regulations, or USAID specific requirements. The areas of non-compliance identified are presented in the Summary of Findings and Recommendations section on page 8 of this report, and in the Independent Auditors' reports on Internal Control and Compliance. The areas of non-compliance are presented below:

- Adequate records were not retained to support claimed costs.
- Budget line item was exceeded without approval from funding agency.

Corrective Action on Prior External Audit Report Recommendations or Other External Assessment Recommendations: Our review of prior external audit reports or other external assessments did not disclose any recommendations. Hence, no follow-up or corrective actions are required to be taken by auditee.

Audit Objectives, Scope and Methodology: The objectives of the audit are to perform a financial audit of the funds provided under the contract in accordance with *Government Auditing Standards* and accordingly includes such tests of the accounting records as deemed

necessary under the circumstances, which includes procedures to ascertain the allowability, allocability, and reasonableness of financial transactions claimed under funding provided by the USAID. Other objectives include evaluating and obtaining a sufficient understanding of the audited entity's internal control related to the contract, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses; testing to determine whether the audited entity complied, in all material respects, with the contract requirements and applicable laws and regulations; and determining and reporting on whether the audited entity has taken adequate corrective action on prior external audit report recommendations or other external assessment recommendations. Our audit covered the period September 15, 2004 through October 14, 2009.

We conducted this financial audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. As part of that process, we: 1) performed audit planning and risk assessment to gain an understanding of the nature of EMG's contract awarded by USAID; EMG's accounting system used for recording costs under the contract; and the conditions under which EMG manages its USAID contract, by reviewing such items as the contract, modifications, applicable regulations, accounting policies and procedures manuals, reports by others, and internal controls over contract financial management and administration; 2) evaluated and obtained a sufficient understanding of the audited entity's internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses; 3) determined whether the audited entity 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; 4) determined and reported on whether the audited entity has taken adequate corrective action on prior external audit report recommendations or other external assessment recommendations; and 5) expressed an opinion on whether the Fund Accountability Statement for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government and fund balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

Based on our initial assessment of risk related to controls and adequacy of contract financial reporting, we judgmentally selected 20 of the 67 SF 1034, *Public Voucher for Purchases and Services Other than Personal*, submitted to the government by EMG, which represented 35.4% of total claimed costs; and tested the allowability, allocability and reasonableness of costs claimed by EMG on the contract. We performed our audit procedures during the period December 19, 2012, through March 14, 2013.

Background

Cardno Emerging Markets Group, Ltd. (EMG) provides professional services associated with the planning, design, implementation, evaluation, and monitoring of development programs across a range of physical, economic, and social infrastructure sectors.

EMG entered into a cost plus fixed fee contract number AFP-I-00-03-00029-00, with United States Agency for International Development (USAID) for the period September 15, 2004 through October 14, 2009; and received payments of approximately, \$55.6 million, over a 62 month period. The purpose of this contract was to assist the Afghanistan government with securing property registration, simplifying land titling procedures, and clarifying the legal framework supporting property rights; and in reforming, restructuring, and rationalizing State-Owned Enterprises in the creation of an enabling environment for private sector growth.

Exit Conference

We held an exit conference on April 19, 2013, with personnel from EMG, USAID and SIGAR to discuss the results of the audit. The draft audit report findings and recommendations were discussed, and EMG concurred with the findings and recommendations. Below are our summarization and evaluation of EMG's written response to the draft audit report. The complete text of EMG's response is attached to this report as Appendix- A.

Summary Auditee's Comment to Draft Report

In its written response, EMG's management concurred with the findings and recommendations. However, EMG's management requested that USAID waive the unsupported amounts based on alternate supporting documentation provided during the audit fieldwork phase. EMG's management also stated that it will request approval from USAID on the exceeded budget line item.



INDEPENDENT AUDITORS' REPORT ON THE FUND ACCOUNTABILITY STATEMENT

To the Board of Directors
Cardno Emerging Markets Group, Ltd.
2107 Wilson Blvd, Suite 800
Arlington, VA 22201

We have audited the Fund Accountability Statement of Cardno Emerging Markets Group, Ltd. for contract number AFP-I-00-03-00029-00 for the period September 15, 2004 through October 14, 2009. The Fund Accountability Statement is the responsibility of Cardno Emerging Markets Group, Ltd's management. Our responsibility is to express an opinion on the Fund Accountability Statement, based on our audit.

We conducted our audit of the Fund Accountability Statement, in accordance with 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 Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability 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.

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and items and technical assistance directly procured by United States Agency for International Development, for the period September 15, 2004 through October 14, 2009, in accordance with the terms of the agreement and in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports, dated March 14, 2013, on our consideration of Cardno Emerging Markets Group, Ltd's internal control over financial reporting, and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

This report is intended for the information of Cardno Emerging Markets Group, Ltd., United States Agency for International Development, and Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC

March 14, 2013

**CARDNO EMERGING MARKETS GROUP, LTD.
FUND ACCOUNTABILITY STATEMENT
SEPTEMBER 15, 2004, THROUGH OCTOBER 14, 2009**

Revenues	Budget	Actual	Questioned Costs		Notes
			Unsupported	Ineligible	
Total Award Contract Number AFP-I-00-03-00029-00	\$ 56,328,775	\$ 55,589,542			
Total Revenue	\$ 56,328,775	\$ 55,589,542			
 Costs Incurred					
Workdays Ordered	\$ 22,453,405	\$ 22,374,295	\$ 0	\$ 0	
Third Country Nationals Labor	\$ 882,676	\$ 902,177	\$ 0	\$ 19,501	3
Cooperating Country Nationals Labor	\$ 8,806,253	\$ 8,623,428	\$ 0	\$ 0	
Other Direct Costs	\$ 24,186,441	\$ 23,689,642	\$ 73,922	\$ 0	4
Total Cost Incurred	\$ 56,328,775	\$ 55,589,542	\$ 73,922	\$ 19,501	
Outstanding Fund Balance (Total Revenue less Total Cost Incurred)	\$ 0	\$ 0			

The accompanying notes are an integral part of this fund accountability statement

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1: ORGANIZATION AND PURPOSE

Cardno Emerging Markets Group, Ltd. (EMG) provides professional services associated with the planning, design, implementation, evaluation, and monitoring of development programs across a range of physical, economic, and social infrastructure sectors.

EMG entered into a cost plus fixed fee contract number AFP-I-00-03-00029-00, with United States Agency for International Development (USAID), and received payments of approximately, \$55.6 million, over a 62 month period. The purpose of this contract was to assist the Afghanistan government with securing property registration, simplifying land titling procedures, and clarifying the legal framework supporting property rights; and in reforming, restructuring, and rationalizing State-Owned Enterprises in the creation of an enabling environment for private sector growth.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statement has been prepared in accordance with accounting principles, generally accepted in the United States of America, as prescribed by the American Institute of Certified Public Accountants.

Reporting Entity

The accompanying Fund Accountability Statement reports the Contract revenues, costs incurred, and fund balance for the period September 15, 2004 through October 14, 2009, in accordance with the terms of the Contract, and in conformity with accounting principles generally accepted in the United States of America.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Fund Accountability Statement of the Contract is reported, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recognized when costs are incurred.

NOTE 3: INELIGLE COST - TCN LABOR VARIANCE

Third Country National (TCN) Labor, totaling approximately, \$19,501 was claimed in excess of the approved budget for that line item, without any written approval from United States Agency for International Development. See Finding 2, for detail.

NOTE 4: UNSUPPORTED COSTS

Costs claimed as “other direct costs” totaling, approximately, \$68,446 were unsupported. The costs were for:

- Communications, \$18,447;
- Office Salaries, \$17,931;
- Office Supplies, \$16,818;
- Furniture & Fixtures, \$7,000;
- Office Equipment, \$4,156;
- Building Maintenance, \$2,094; and
- Consultant Fee, \$2,000.

As a result of the unsupported costs, G&A was over-applied by \$5,476, which resulted in total unsupported costs of \$73,922. See Finding 1, for detail.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the Board of Directors
Cardno Emerging Markets Group, Ltd.
2107 Wilson Blvd, Suite 800
Arlington, VA 22201

We have audited the Fund Accountability Statement of Cardno Emerging Markets Group, Ltd., for contract number AFP-I-00-03-00029-00, for the period September 15, 2004, through October 14, 2009, and have issued our report thereon, dated March 14, 2013.

We conducted our audit in accordance with *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 Fund Accountability Statement is free of material misstatement.

The management of Cardno Emerging Markets Group, Ltd., is responsible for establishing and maintaining 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 agreements; and transactions are recorded properly to permit the preparation of the Fund Accountability Statement in conformity with accounting principles generally accepted in the United States of America. 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 Fund Accountability Statement of Cardno Emerging Markets Group, Ltd., for contract number AFP-I-00-03-00029-00, for the period September 15, 2004 through October 14, 2009, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures, and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement, and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be a deficiency under standards established by the American Institute of Certified Public Accountants (AICPA).

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 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. We noted two instances involving internal control and its operation that we consider to be deficiencies, as defined above. Those instances are detailed in Findings 1 and 2 in the Summary of Findings and Recommendations section of this report.

This report is intended for the information of Cardno Emerging Markets Group, Ltd., United States Agency for International Development, and Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC

March 14, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Board of Directors
Cardno Emerging Markets Group, Ltd.
2107 Wilson Blvd, Suite 800
Arlington, VA 22201

We have audited the Fund Accountability Statement of Cardno Emerging Markets Group, Ltd., for contract number AFP-I-00-03-00029-00, for the period September 15, 2004, through October 14, 2009, and have issued our report thereon, dated March 14, 2013.

We conducted our audit in accordance with *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 Fund Accountability Statement is free of material misstatement resulting from violations of contract terms, and laws and regulations that have a direct and material effect on the determination of the Fund Accountability Statement amounts.

Compliance with contract terms, and laws and regulations applicable to Cardno Emerging Markets Group, Ltd. is the responsibility of Cardno Emerging Markets Group, Ltd's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of Cardno Emerging Markets Group, Ltd's compliance with certain provisions of agreement terms, and 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.

The results of our tests disclosed two instances of noncompliance that are required to be reported here, under *Government Auditing Standards*. Those instances are detailed in Findings 1 and 2 in the Summary of Findings and Recommendations section of this report.

This report is intended for the information of Cardno Emerging Markets Group, Ltd., United States Agency for International Development, and Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.

A handwritten signature in black ink that reads "Regis & Associates, PC". The signature is written in a cursive, flowing style.

Regis & Associates, PC
Washington, DC

March 14, 2013

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Finding 1: Adequate records were not retained to support claimed costs

Criteria: Federal Acquisition Regulation Subpart 4.7- *Contractor Records Retention*, Section 4.703, *Policy*, states that "...contractors shall make available records, which includes books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form, and other supporting evidence to satisfy contract negotiation, administration, and audit requirements of the contracting agencies and the Comptroller General for- (1) 3 years after final payment or, for certain records..."

Condition: Costs claimed as "other direct costs" totaling, approximately, \$68,446 were unsupported. The costs were for:

- Communications, \$18,447;
- Office Salaries, \$17,931;
- Office Supplies, \$16,818;
- Furniture & Fixtures, \$7,000;
- Office Equipment, \$4,156;
- Building Maintenance, \$2,094; and
- Consultant Fee, \$2,000.

As a result of the unsupported costs, G&A was over-applied by \$5,476, which resulted in total unsupported costs of \$73,922.

Cause: EMG's management stated that their inability to provide the records supporting the \$68,446 claimed was due to filing errors that occurred during relocation of records from their offices and project site to their off-site storage facility.

Effect: As a result of the condition noted above, funds claimed and collected, totaling approximately, \$73,922 were unsupported. Also, there is a risk that costs claimed may be unallowable.

Recommendation 1: We recommend that EMG refund the claimed amount, \$73,922, if adequate supporting documentation cannot be provided timely.

EMG's Response

In its written response, EMG's management concurred with the finding and recommendation, but requested that USAID waive the unsupported amounts based on alternate supporting documentation provided during the audit fieldwork phase.

Finding 2: Budget line item was exceeded without approval from funding agency

Criteria: Federal Acquisition Regulation (FAR) Subpart 31.2-*Contracts with Commercial Organizations*, Section 201-2, *Determining Allowability*, states that “...(a) A cost is allowable only when the cost complies with all of the following requirements: (1) Reasonableness. (2) Allocability. (3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances. (4) Terms of the contract. (5) Any limitations set forth in this subpart.”

Condition: Third Country National Labor, totaling approximately, \$19,501 was claimed in excess of the approved budget for that line item, without any written approval from USAID.

Cause: EMG’s management stated that they were not aware of any provision in the contract that requires such approval since total costs claimed did not exceed total contract amount; and was also not aware of the FAR requirement.

Effect: Failure to follow contract terms undermines the controls and roles established in the contract. Budget categories are such a control and are intended to limit and focus costs to the government.

Recommendation 2: We recommend that EMG request permission to exceed the Third Country National Labor budget from USAID.

EMG’s Response

In its written response, EMG’s management concurred with the finding and recommendation; and stated that it will request approval from USAID on the exceeded budget line item.

Appendix- A- EMG's Response to the Draft Report

April 26, 2013



Lateef Abassi
Regis & Associates, PC
1400 Eye Street, NW
Suite 425
Washington, DC 20005

Cardno Emerging Markets USA, Ltd.

Colonial Place III
2107 Wilson Boulevard
Suite 800
Arlington, VA 22201-3096
USA
Phone +1 703 373 7600
Fax +1 703 373 7601

Re: Financial Audit of Contract Number AFP-I-00-03-00029-00

www.cardno.com/emergingmarkets

Dear Lateef,

Below please find our management responses to the two findings cited in the audit report of the above mentioned contract.

Finding 1: Adequate records were not retained to support claimed costs.

Management response: The isolated incident cited in the audit is limited and non-pervasive in nature and the missing support was the result of a misfiled archived record.

The missing support of \$68,446 was the result of one misfiled field report from June 2005. Cardno provided transaction details for the missing field report and by comparison to subsequent months, the incurred costs are reasonable. Management believes that due to the adequate internal controls in place at the time of the contract that there is little likelihood of any material misstatement of costs presented for reimbursement.

The reviewed tested samples size was substantial \$19.7 million and the corresponding archived records of backup supporting documentation were approximately 50 boxes. In all cases except the instance cited above, Cardno was able to prove that all costs were allowable and applicable to the contract.

Against this background, Cardno requests that USAID consider allowing the billed costs of \$73,922 to remain and not to seek a refund.

Finding 2: Budget line item was exceeded without approval from the funding agency.

Management response: Cardno is aware of contract provisions requiring the need for budget realignment for costs elements that exceed budget line items. The exceeded line item was only discovered during the beginning of the audit when Cardno created the fund accountability statement. The oversight was due to the fact that many of the Cooperating Country National and Third Country National staff had similar last names which caused them to be miscategorized between line items. The cost treatment and indirect allocation were identical on the two types of labor causing no discrepancy in the overall amount claimed.

Australia • Belgium • Canada • Ecuador • Germany • Indonesia • Italy • Kenya •
New Zealand • Papua New Guinea • Peru • Tanzania • United Arab Emirates •
United Kingdom • United States • Operations in 85 countries

Appendix- A- EMG's Response to the Draft Report



Cardno agrees with the auditor's recommendation and we would like to request permission to move \$19,501 of budget from the Cooperating Country Nationals labor category to Third Country Nationals labor category to cover the exceeded line item.

Should anything else be required, please do not hesitate to ask.

Sincerely,



Endre Esztergomi
CFO

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
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- Phone DSN International: 312-664-0378
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