

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 15-41 Financial Audit

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



MARCH
2015

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On July 16, 2012, the U.S. Agency for International Development (USAID) awarded a contract with an initial cost of \$3 million for a 90-day base period to Tetra Tech DPK to continue USAID's efforts to develop the rule of law in Afghanistan. The Rule of Law Stabilization Program–Formal Component (RLS-F) supported two pillars of the U.S. government's Rule of Law Strategy: (1) building capacity and addressing corruption within the justice sector, and (2) building the leadership capacity of the justice sector and civil society. To support these aims, RLS-F focused on building the capacity of the judiciary and law schools, strengthening public awareness, and continuing practical skills training and continuing legal education. After 10 modifications, the total estimated cost of the contract was increased to \$22,581,128, and the period of performance extended to September 14, 2014.

SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe Horwath), reviewed \$22,291,592 in expenditures charged to the contract from July 16, 2012, through September 14, 2014. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in Tetra Tech DPK's internal controls related to the contract; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Tetra Tech DPK had taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Tetra Tech DPK's Special Purpose Financial Statement. See Crowe Horwath's report for the precise audit objectives.

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

March 2015

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

SIGAR 15-41-FA

WHAT THE AUDIT FOUND

Crowe Horwath LLP (Crowe Horwath) did not identify any material weaknesses or significant deficiencies in Tetra Tech DPK's internal controls, nor any instances of material noncompliance with laws, regulations, or the terms and conditions of the contract.

Crowe Horwath did not identify any questioned costs, which would have included unsupported costs—costs not supported with adequate documentation or that did not have the required prior approval—and ineligible costs—costs prohibited by the agreement, applicable laws, or regulations.

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

Crowe Horwath did not identify any prior reviews or assessments that pertained to Tetra Tech DPK's implementation of the Rule of Law Stabilization Program–Formal Component or were material to the Special Purpose Financial Statement.

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

WHAT SIGAR RECOMMENDS

Crowe Horwath did not report any findings related to the Rule of Law Stabilization Program–Formal Component. Therefore, SIGAR is not making any recommendations to the USAID Mission Director for Afghanistan.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

March 16, 2015

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

Mr. William Hammink
USAID Mission Director for Afghanistan

We contracted with Crowe Horwath LLP (Crowe Horwath) to audit the costs incurred by Tetra Tech DPK under a U.S. Agency for International Development (USAID) contract to support the Rule of Law Stabilization Project—Formal Component.¹ Crowe Horwath's audit covered \$22,291,592 in expenditures charged to the contract from July 16, 2012, through September 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 the audit, SIGAR is not making any recommendations to the USAID Mission Director for Afghanistan.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-050)

¹ USAID awarded contract number AID-306-C-12-00014 to Tetra Tech DPK to support the U.S. government's Rule of Law Strategy, which included building capacity and addressing corruption within the justice sector, and building the leadership capacity of the justice sector and civil society.



Tetra Tech DPK

Special Purpose Financial Statement

Rule of Law Stabilization Program: Formal Component

For the Period July 16, 2012, through September 14, 2014

(With Independent Auditor's Report Thereon)

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**Crowe Horwath LLP**

Independent Member Crowe Horwath International

1325 G Street NW, Suite 500
Washington D.C. 20005-3136
Tel 202.624.5555
Fax 202.624.8858
www.crowehorwath.com

Transmittal Letter

February 4, 2015

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

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of Tetra Tech DPK's ("Tt DPK") contract with the United States Agency for International Development funding the Rule of Law Stabilization Program: Formal Component ("RLS-Formal") project.

Within the pages that follow, we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Special Purpose Financial Statement, report on internal control, and report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of Tt DPK and the Office of the Special Inspector General for Afghanistan Reconstruction provided both in writing and orally throughout the audit planning and fieldwork phases.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Bert Nuehring".

Bert Nuehring, CPA, Partner
Crowe Horwath LLP



www.crowehorwath.com

Summary

Background

Tetra Tech DPK ("Tt DPK") entered into a cost plus fixed fee contract with the United States Agency for International Development ("USAID") to support two pillars of the U.S. Government Rule of Law Strategy and continue USAID's assistance to the rule of law in Afghanistan. The two pillars are: 1) building capacity and addressing corruption within the justice sector; and 2) building the leadership capacity of the Afghan government's justice sector and civil society. To support the pillars, the RLS-F Program focused on building the capacity of the judiciary and law schools, strengthening public awareness, and continuing practical skills training and continuing legal education. The contract – AID-306-C-12-00014 - incorporated an initial estimated cost plus fixed fee amount of \$3,070,000 for a 90 day base period of performance and funded the Rule of Law Stabilization: Formal Component project ("RLS-Formal"). Through 10 modifications, the project's period of performance was extended to September 14, 2014, and the total estimated cost plus fixed fee amount was increased to \$22,581,128. During the July 16, 2012, through September 14, 2014, period of performance, Tt DPK incurred costs totaling \$22,291,592.

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

- Provided instructor training and curriculum development at the Judicial Stage program to improve teaching methodologies;
- Offered targeted trainings and technical assistance for judges from all Anti-Corruption Tribunals;
- Provided Continuing Legal Education trainings for sitting judges in all 34 provinces using a standardized curriculum;
- Developed databases to report case statistics and manage Supreme Court assets and built the capacity of Supreme Court staff to lead trainings on each database, as well as the Afghanistan Court Administrative System;
- Assisted the Ministry of Higher Education in implementing a unified core curriculum for all *Sharia* faculties and a credit hour system in all Law and *Sharia* faculties; and
- Built the capacity of the Ministry of Justice to train regional staff on conducting public legal outreach campaigns and implementing the National Legal Awareness Strategy.

Project work concluded in September 2014.

Work Performed

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

Objectives Defined by SIGAR

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

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether the Special Purpose Financial Statement for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government and balance for the period audited in conformity with the terms of the award and accounting principles generally accepted in the United States of America or other comprehensive basis of accounting.



www.crowehorwath.com

Audit Objective 2 – Internal Controls

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

Audit Objective 3 – Compliance

Perform tests to determine whether Tt DPK complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

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

Scope

The scope of the audit included the period July 16, 2012, through September 14, 2014, for the RLS-Formal project. The audit was limited to those matters and procedures pertinent to the contract that have a direct and material effect on the Special Purpose Financial Statement ("SPFS") and evaluation of the presentation, content, and underlying records of the SPFS. The audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Costs;
- Allowable Activities;
- Cash Management;
- Equipment and Property Management;
- Period of Availability of Federal Funds;
- Procurement; and
- Reporting.

Methodology

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

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded in accordance with the basis of accounting identified by the auditee; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were charged to the appropriate budgetary accounts; and were adequately supported.

With regard to Audit Objective 2 regarding internal control, Crowe requested and the auditee provided copies of policies and procedures and verbally communicated those procedures that do not exist in written format to provide Crowe with an understanding of the system of internal control established by Tt DPK. The system of internal control is intended to provide reasonable assurance of achieving reliable financial and performance reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 requires that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the contract. Crowe identified – through review and evaluation of the contract task order and the primary indefinite quantity contract executed by and between Tt DPK and USAID, the Federal Acquisition Regulation (“FAR”), and the USAID Acquisition Regulation (“AIDAR”) – the criteria against which to test the SPFS and supporting financial records and documentation. Using sampling techniques, Crowe selected expenditures, vouchers submitted to USAID for payment, procurements, property and equipment dispositions, grants issued under the contract and corresponding costs incurred, and project reports for audit. Supporting documentation was provided by the auditee and subsequently evaluated to assess Tt DPK's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the negotiated indirect cost rate agreements (“NICRA”) and associated contract restrictions, and if adjustments were made, as required and applicable.

With respect to Audit Objective 4, to obtain an understanding of the nature of audit reports and other assessments that were completed and the required corrective action, Crowe inquired of both Tt DPK and USAID regarding prior audits and reviews. There were no reports issued that required corrective action.

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

Summary of Results

Upon completion of Crowe's procedures, Crowe did not identify any audit findings. Items are classified as audit findings if they meet one or more of the following criteria: (1) significant deficiencies in internal control, (2) material weaknesses in internal control, (3) noncompliance with rules, laws, regulations, or the terms and conditions of the contract; and/or (4) questioned costs resulted from identified instances of noncompliance. Matters noted that did not rise to the level of an audit finding were either reported within a management letter dated January 16, 2015, or were communicated verbally to Tt DPK.

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

Crowe issued an unmodified opinion on the SPFS.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

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

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

Report on the Special Purpose Financial Statement

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement ("the Statement") of Tetra Tech DPK ("Tt DPK"), and related notes to the Statement, for the period July 16, 2012, through September 14, 2014, with respect to the Rule of Law Stabilization Program: Formal Component ("RLS-Formal") project funded by contract number AID-306-C-12-00014.

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 ID11140014 ("the Contract"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Special Purpose Financial Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, revenues received, costs incurred, and balance for the indicated period in accordance with the requirements established by the Office of the Special Inspector General for Afghanistan Reconstruction in Appendix IV of the Contract and on the basis of accounting described in Note 1.

Basis of Presentation

We draw attention to Note 1 to the Statement, which describes the basis of presentation. The Statement was prepared by Tt DPK in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction in Appendix IV of the Contract and presents those expenditures as permitted under the terms of contract number AID-306-C-12-00014, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Contract referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of Tetra Tech DPK, the United States Agency for International Development, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued reports dated January 16, 2015, on our consideration of Tt DPK's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Crowe Horwath LLP

January 16, 2015
Washington, D.C.

Tetra Tech DPK
Special Purpose Financial Statement
AID-306-C-12-00014
For the Period July 16, 2012, through September 14, 2014

			Questioned Costs		
	Budget	Actual	Ineligible	Unsupported	Notes
<i>Revenues</i>					
USAID Contract No. AID-306-C-12-00014	\$ 22,581,128	\$ 22,376,492			4
Total Revenue	\$ 22,581,128	\$ 22,376,492			
<i>Costs Incurred</i>					
Direct Labor	\$ 2,998,295	\$ 2,978,925			5
Fringe Benefits	919,982	885,675			
Travel, Transportation and Per Diem	191,909	166,151			
Equipment and Supplies	884,702	868,392			
Subcontracts/Consultants	8,953,280	8,870,357			8
Allowances	1,164,631	1,154,247			
Other Direct Costs	3,029,128	2,978,651			
Indirect Costs	2,957,323	2,907,316			
Fixed Fee	1,481,878	1,481,878			
Total Costs Incurred	\$ 22,581,128	\$ 22,291,592			
Balance		\$ 84,900			6

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

Tetra Tech DPK
Notes to the Special Purpose Financial Statement
For the Period July 16, 2012, through September 14, 2014

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Contract Number AID-306-C-12-00014 for the USAID Afghanistan Rule of Law: Formal Component for the period July 16, 2012 - September 14, 2014. Because the Statement presents only a selected portion of the operations of Tetra Tech DPK, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Tetra Tech DPK. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal contract. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Basis of Accounting

Expenditures reported on the Statement are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Tetra Tech DPK's Cost Accounting Standards Disclosure Statement and the requirements of the commercial entity cost principles appearing in Title 48, Part 31 of the United States Code of Federal Regulations wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Foreign Currency Conversion Method

For purposes of preparing the Statement, conversions from local currency to United States dollars were prepared in accordance with the Tetra Tech DPK Exchange Rate Policy which requires that the exchange rate in place at the time the financial institution in use converts U.S. dollars to local currency for purposes of making purchases in-country is utilized in recording financial transactions until such a time as another currency conversion is required.

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which Tetra Tech DPK is entitled to receive from USAID for allowable, eligible costs incurred plus the approved fixed fee amount under the contract during the period of performance.

Note 5. Costs Incurred by Budget Category

The budget categories presented and associated amounts reflect the budget line item amounts presented within the final, USAID-approved contract budget within the letter contract dated July 13, 2012 and subsequently modified through Modification 10 dated July 13, 2014.

Note 6. Balance

The balance presented on the Statement represents the difference between the revenues earned under the contract and the actual costs incurred and fixed fee amount. The \$84,900 balance amount indicates that funds are owed to the U.S. Government. A credit was issued to the U.S. Government for this amount on December 5, 2014 and transfer of funds is in progress.

Note 7. Currency

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

Note 8. Subrecipients

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

#	Subrecipient Name	Amount Paid
1	Tetra Tech ARD	\$8,741,258
2	DPI	\$115,881
3	Phanai Film Production	\$50,500
4	First Rate Afghanistan	\$50,000
5	F.K.H. Media	\$14,800
6	Inertia Advertisement Services Company	\$18,000
7	Assistance to Defend Women Rights Organization	\$24,575
8	Da Qanoon Gushtonky	\$24,258
9	The Liaison Office	\$24,510
10	Medica Afghanistan	\$6,932
11	Women for Afghan Women	\$19,685

Note 9. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the July 16, 2012, through September 14, 2014, period of performance. Management has performed their analysis through January 16, 2015.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement ("the Statement") of Tetra Tech DPK ("Tt DPK"), and related notes to the Statement, for the period July 16, 2012, through September 14, 2014, with respect to the Rule of Law Stabilization Program: Formal Component ("RLS-Formal") project funded by contract number AID-306-C-12-00014. We have issued our report thereon dated January 16, 2015.

Internal Control over Financial Reporting

Tt DPK's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Note 1 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement for the period July 16, 2012, through September 14, 2014, we considered Tt DPK'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 Tetra Tech DPK's internal control. Accordingly, we do not express an opinion on the effectiveness of Tetra Tech DPK'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 entity's 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.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in

internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we reported to management in a separate letter dated January 16, 2015.

Purpose of this Report

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

Restriction on Use

This report is intended for the information of Tetra Tech DPK, the United States Agency for International Development, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.


Crowe Horwath LLP

January 16, 2015
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement ("the Statement") of Tetra Tech DPK ("Tt DPK"), and related notes to the Statement, for the period July 16, 2012 through September 14, 2014, with respect to the Rule of Law Stabilization Program: Formal Component ("RLS-Formal") project funded by contract number AID-306-C-12-00014. We have issued our report thereon dated January 16, 2015.

Management's Responsibility for Compliance

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Restriction on Use

This report is intended for the information of Tetra Tech DPK, the United States Agency for International Development, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

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

Crowe Horwath LLP

January 16, 2015
Washington, D.C.

SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were identified during the course of the audit.

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

Per discussion with Tetra Tech DPK and USAID, no prior audits, reviews, or assessments were conducted over RLS-Formal project activities funded by the contract under audit. Accordingly, there were no corrective actions required for follow-up by Crowe Horwath.

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