

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 16-13 Financial Audit**

Department of Defense's Strategic, Technical,  
and Analytical Support Services in Traditional  
and Alternative Energy Sectors Program: Audit  
of Costs Incurred by Zantech IT Services, Inc.



JANUARY  
2016

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On September 21, 2012, the Department of the Interior, on behalf of the Department of Defense, awarded a 1-year, \$14.8 million contract to Zantech IT Services, Inc. (Zantech) to support the Task Force for Business and Stability Operations' (TFBSO) Strategic, Technical, and Analytical Support Services in Traditional and Alternative Energy Sectors program. The program was intended to support TFBSO's energy programs by creating efficient, low-cost, and economically viable energy development opportunities for Afghanistan. After 14 modifications, the total cost of the contract was increased to \$31.2 million, and the period of performance was extended to March 27, 2015.

SIGAR's financial audit, performed by Williams, Adley & Company-DC, LLP (Williams Adley), reviewed \$12,083,931 in expenditures charged to the contract from September 28, 2012, through September 27, 2013. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in Zantech'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 Zantech has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Zantech's Special Purpose Financial Statement. See Williams Adley'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 Williams Adley did not comply, in all material respects, with U.S. generally accepted government auditing standards.

January 2016

### Department of Defense's Strategic, Technical, and Analytical Support Services in Traditional and Alternative Energy Sectors Program: Audit of Costs Incurred by Zantech IT Services, Inc.

SIGAR 16-13-FA

### WHAT THE AUDIT FOUND

Williams Adley did not identify any material weaknesses or significant deficiencies in Zantech's internal controls, or instances of noncompliance with the terms and conditions of the Strategic, Technical, and Analytical Support Services in Traditional and Alternative Energy Sectors program contract. As a result, Williams Adley did not identify any questioned costs, which would have included unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—or ineligible costs—costs prohibited by the contract, applicable laws, or regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Costs Incurred	\$0	\$0	\$0
<b>Totals</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Williams Adley obtained and reviewed prior audit reports, assessments, and reviews of Zantech that were applicable to the scope of the audit. Williams Adley found no prior findings or recommendations that could have a material impact on the Special Purpose Financial Statement.

Williams Adley issued an unmodified opinion on Zantech'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

Williams Adley did not report any findings related to the Strategic, Technical, and Analytical Support Services in Traditional and Alternative Energy Sectors program. Therefore, SIGAR is not making any recommendations to the Department of Defense.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

January 14, 2016

The Honorable Ashton B. Carter  
Secretary of Defense

The Honorable Christine E. Wormuth  
Under Secretary of Defense for Policy

The Honorable Brian P. McKeon  
Principal Deputy Under Secretary of Defense for Policy

We contracted with Williams, Adley & Company-DC, LLP (Williams Adley) to audit the costs incurred by Zantech IT Services, Inc. (Zantech) under a Department of Defense contract awarded to support the Task Force for Business Stability Operations' (TFBSO) Strategic, Technical, and Analytical Support Services in Traditional and Alternative Energy Sectors program.<sup>1</sup> Williams Adley's audit covered \$12,083,931 in expenditures incurred from September 28, 2012, through September 27, 2013. Our contract with Williams Adley required that the audit be performed in accordance with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Williams Adley did not report any findings related to the Strategic, Technical, and Analytical Support Services in Traditional and Alternative Energy Sectors program. Therefore, SIGAR is not making any recommendations to the Department of Defense.

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

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-068)

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<sup>1</sup> The Department of Defense awarded contract number D12PC00523 to Zantech to support TFBSO's Strategic, Technical, and Analytical Support Services in Traditional and Alternative Energy Sectors program, which was intended to support TFBSO's energy programs by creating, efficient, low-cost, and economically viable energy development opportunities in Afghanistan.

**SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN  
RECONSTRUCTION**

**FINANCIAL AUDIT OF COSTS  
INCURRED BY**

**Zantech IT Services, Inc.**

**Contract:**

**D12PC00523**

**Strategic, Technical, and Analytical Support  
Services in Traditional and Alternative Energy  
Sectors**

**For the period of:**

**September 28, 2012 to September 27, 2013**

Submitted by



November 30, 2015



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## Transmittal Letter

November 30, 2015

Leadership Team  
Zantech IT Services, Inc.  
Vienna, VA

Office of the Special Inspector General for Afghanistan Reconstruction  
Arlington, VA

We hereby provide to you our final report, which reflects results from the procedures we completed during the course of our audit of the Zantech IT Services, Inc. (Zantech) contract number D12PC00523 with the United States Department of Defense for its Development of Electricity/Energy Infrastructure program in Afghanistan.

Within the pages that follow, we provide a brief summary of the work performed. Following the summary, we provide 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 and any information preceding our reports.

On September 4, 2015, we provided SIGAR a draft report reflecting our audit procedures and results. Zantech received a copy of the report on November 10, 2015 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and Zantech. Zantech's responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

Thank you for providing us the opportunity to work with you and to conduct the audit of Zantech's contract.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jocelyn Hill'.

Jocelyn Hill, CPA  
Partner

**WILLIAMS, ADLEY & COMPANY-DC, LLP**

*Certified Public Accountants / Management Consultants*

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## Summary

### Background

The United States Department of Defense (DOD) provides funding to contractors for services related to reconstruction activities in Afghanistan. Congress created the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to provide independent and objective oversight of Afghanistan reconstruction projects and activities. Under the authority of Section 1229 of the National Defense Authorization Act for Fiscal Year 2008 (P.L. 110-181), SIGAR conducts audits and investigations to: 1) promote efficiency and effectiveness of reconstruction programs; and 2) detect and prevent waste, fraud, and abuse. As a result, DOD funded reconstruction activities in Afghanistan fall under the purview of SIGAR in fulfilling its mandate.

On September 21, 2012, the Department of the Interior (DOI), National Business Center issued a time and materials contract (contract number D12PC00523) to Zantech IT Services, Inc. (Zantech) on behalf of the DOD. The contract, titled "Strategic, Technical, and Analytical Support Services in Traditional and Alternative Energy Sectors" was to support the Task Force for Business and Stability Operations (TFBSO) in its efforts to revitalize the Afghanistan national and provincial economies. The contract's objective was to provide support services to ensure the TFBSO's programs functioned together to create robust, efficient, low-cost, and economically viable energy development opportunities.

The period of performance for contract number D12PC00523 included a base year of September 28, 2012 to September 27, 2013 with three, six-month option periods as follows: September 28, 2013 to March 27, 2014; March 28, 2014 to September 27, 2014; and September 28, 2014 to March 27, 2015. Zantech initially received incremental funding in the amount of \$14,756,194. The agreement had fourteen (14) amendments for reasons to include realignments, increases and decreases in funding, points of contact changes, and adding or modifying contract clauses. With the base and option periods included, the final contract totaled \$31,156,803.

### Work Performed

Williams Adley and Company-DC, LLP (Williams Adley) was contracted by SIGAR to conduct a financial audit of Zantech's Special Purpose Financial Statement for the support services, contract number D12PC00523, for the base period only.

### Objectives

The objectives of the audit were to:

1. Express an opinion on whether the Special Purpose Financial Statement for Contract D12PC00523 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 contract and generally accepted



accounting principles or other comprehensive basis of accounting.

2. Evaluate and obtain a sufficient understanding of Zantech's internal controls related to Contract D12PC00523; assess control risk; and identify and report on significant deficiencies including material weaknesses.
3. Perform tests to determine whether Zantech complied, in all material respects, with the contract requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the contract and applicable laws and regulations, including potential fraud or abuse that may have occurred in relation to Contract D12PC00523.
4. Determine and report on whether Zantech 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

In general, our scope of work in performing a special purpose financial audit of costs incurred related to the program in Afghanistan under contract number D12PC00523, with a billed amount of \$12,083,931 for the period under audit of September 28, 2012 to September 27, 2013 was to:

1. Perform a financial audit of costs incurred by Zantech under the Development of Electricity/Energy Infrastructure program. All supporting documentation for the costs incurred are either maintained electronically or at Zantech's office in Tysons Corner, VA. We did not travel to any site locations.
2. Review the Special Purpose Financial Statement and related Notes to the Special Purpose Financial Statement that is the responsibility of Zantech's management. We reviewed internal controls related to the financial information for the audit period, including financial management systems controls and edit checks, procedural controls (documentation receipt, validation, reviews, approval levels, recordation, reconciliation, separation of duties, signatory requirements, etc.), and internal/external audits of project activities and the impact of corrective actions, if any. We requested prior audits from Zantech, SIGAR and DOD. If prior audit recommendations were available, as a result of our inquiries to Zantech, SIGAR and DOD, we evaluated and determined if Zantech had taken adequate corrective action to address findings and recommendations from previous engagements that could had a material effect on this financial statement audit.
3. Perform compliance testing including, but not limited to, activities allowed or unallowable; allowable costs/cost principles; cost determination/indirect costs; cash management; eligibility; equipment and real property management; matching, level of effort and earmarking; period of availability of Federal funds; procurement and suspension and debarment; program income; reporting; and subcontractor selection



and monitoring in accordance with contract and subcontract requirements, Defense Federal Acquisition Regulation Supplement (DFARS), CENTCOM Contracting Command (C3) Clauses, and the Federal Acquisition Regulation (FAR).

4. Review transactions for the period from September 28, 2012 through September 27, 2013, and subsequent events and information related to the findings and report all questioned costs for the audit period regardless of the amount, and express an opinion on the Special Purpose Financial Statement and related Notes for the audit period. Discuss an opinion other than an unmodified opinion with both the client and the auditee.

## Methodology

To meet the audit objectives, Williams Adley identified and reviewed applicable background materials, including the original contract and subsequent modifications, sub-awards and project documents, DOD regulations and program objectives, OMB Circulars, FAR, GAO Government Auditing Standards, generally accepted accounting principles, and other applicable laws and regulations to gain a thorough understanding of the project activities, the requirements of the contract, and any past findings and recommendations that may impact the audit of Zantech's Special Purpose Financial Statement and supporting financial records and documentation.

We met with designated auditee key personnel to gain a more complete understanding of the financial, compliance and internal control issues the project has encountered. In addition, Williams Adley reviewed Zantech's organizational charts and reporting hierarchy, policies and procedures, and the status of prior audit reports to gain an understanding of the normal procedures and system of internal controls established by Zantech to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Also, we conducted interviews (including fraud interviews) with Zantech's key personnel in the accounting, finance, and contract departments and other personnel responsible for the program performance.

Williams Adley used both random and risk-based sampling techniques to select expenditures and payroll samples to test for allowability of incurred costs, and we reviewed procurement records to determine cost reasonableness and compliance with exclusion of parties not eligible to participate in federal awards. We requested and received supporting documentation for compliance evaluation of incurred costs. We reviewed submitted financial status reports for accuracy and compliance with reporting requirements. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in compliance with agreed upon handling fee of two percent. Indirect costs were added as a material handling fee on subcontractor other direct cost billings, which included travel, security, DBA insurance and industrial relations costs and were captured as direct costs under those expense categories.

## **Summary of Results**

Williams Adley issued an unmodified opinion on Zantech's Special Purpose Financial Statement ("Statement"). We tested 230 randomly selected transactions totaling \$10,308,835 and direct labor transactions totaling \$92,826 of incurred costs from a total population of \$12,083,931 or 86% of the total incurred costs between September 28, 2012 and September 27, 2013. Williams Adley also reported on Zantech's internal controls and compliance with contract terms and applicable laws and regulations regarding the Statement, and did not note any significant deficiencies or material weaknesses related thereto. We did not note any other deficiencies that we would have reported in a separate management letter.

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

### ***Summary of Prior Audit Reports***

We obtained and read prior audits, assessments and reviews of Zantech that we considered applicable to the scope of our work. We found no prior findings or recommendations that could have a material impact on this Special Purpose Financial Statement audit.

### ***Summary of Management Comments on Audit Report***

Zantech accepted the audit report as written and provided no further comments.

### **Attachments**

The auditor's reports are supplemented by 1 attachment:

Attachment A contains Zantech's official management response to the draft report.





## **Independent Auditor's Report on the Special Purpose Financial Statement**

Leadership Team  
Zantech IT Services, Inc.  
Vienna, VA

Office of the Special Inspector General for Afghanistan Reconstruction  
Arlington, VA

### ***Report on the Financial Statement***

We have audited the Special Purpose Financial Statement (the "Statement") of the Zantech IT Services, Inc. (Zantech) contract number D12PC00523 for the period of September 28, 2012 to September 27, 2013, and the related Notes to the Statement.

### ***Management's Responsibility for the Financial Statement***

Zantech's management is responsible for the preparation and fair presentation of the Statement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit of the 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 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

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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 reasonable basis for our unmodified opinion.

The accompanying Statement was prepared to present the revenues earned and cost incurred of Zantech pursuant the contract number D12PC00523 described in Note 2, and is not intended to be a complete presentation of Zantech's assets, liabilities, revenues and expenses.

### ***Opinion***

In our opinion, the Statement referred to above presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government and balance in conformity with the terms of contract number D12PC00523, for the period of September 28, 2012 to September 27, 2013 and in conformity with the basis of accounting described in Note 2.

### ***Restriction on Use***

This report is intended for the information of Zantech, the United States Department of Defense and 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 August 24, 2015 on Zantech's internal controls and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. 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's Auditor's Report in considering the results of our audit.

Williams, Adley & Company-DC, LLP  
Washington, D.C.  
August 24, 2015



## Zantech IT Services, Inc.

**Special Purpose Financial Statement**

For the Period of September 28, 2012 to September 27, 2013

	Questioned Costs				
	Total Budget	Actual	Ineligible	Unsupported	Notes
<b>Revenues</b>					
Contract D12PC00523	\$14,592,403	\$12,083,931			
<b>Total Revenue</b>	<b>\$14,592,403</b>	<b>\$12,083,931</b>			
<b>Cost Element</b>					
Labor	\$10,415,135	\$8,698,142			2d 5
Travel	1,316,536	895,546			
Security	2,162,634	2,085,663			
Material Handling	113,973	66,389			
Industry Relations Support	370,785	146,006			
DBA Insurance	213,340	192,185			A
<b>Direct Contract Expenditures</b>	<b>\$14,592,403</b>	<b>\$12,083,931</b>			
Outstanding Balance (deficit)		\$0			

The Notes to the Special Purpose Financial Statement are an Integral Part of this Statement

## Notes to the Special Purpose Financial Statement<sup>1</sup>

For the Period September 28, 2012 to September 27, 2013

### Note 1. Status and Operation

Zantech IT Services, Inc. ("Zantech") was incorporated in the Commonwealth of Virginia in December, 2007, with its headquarters located in Vienna, Virginia. Zantech is privately held and provides program management, information technology and engineering services to the federal government as either a prime contractor or subcontractor.

### Note 2. Summary of Significant Accounting Policies

#### a) Basis of Presentation

The accompanying Statement of Costs Billed (the "Statement") includes costs incurred under contract # D12PC00523 ("Contract") to provide services in Afghanistan for September 28, 2012 to September 27, 2013. Because the Statement presents only a selected portion of Zantech operations, it is not intended to and does not present the financial position or cash flows of Zantech. The information in this Statement is presented in accordance with requirements specified by Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Contract. Therefore, the amounts presented in this Statement will differ from amounts presented in, or used in the presentation of, financial statements prepared in accordance with Generally Accepted Accounting Principles ("GAAP").

#### b) Basis of Accounting

The Statement reflects the cumulative billings under the Contract issued by the Department of the Interior (DOI), National Business Center on behalf of the Task Force for Business and Stability Operations for the period specified. The Statement is not presented in accordance GAAP. It is presented on the basis of billings authorized and allowed in accordance with the Contract.

#### c) Currency

The Statement is presented in United States Dollars. For purposes of preparing the Statement, Zantech applies the then current conversion to foreign currency transactions for all sub-recipient billings and subcontracts wherein the expenses were recorded in currency other than US Dollars.

#### d) Costs Incurred by Contract Line Item

The Contract Line Items and associated amounts billed reflect the Contract Line Items presented within the approved Contract and award modifications issued by DOI.

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<sup>1</sup> Numeric notes to the Special Purpose Financial Statement were developed by and are the responsibility of Zantech's management.



### **Note 3. Questioned Costs**

Questioned costs are those costs that are questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances. Questioned costs are recommended for exclusion from the Statement by the auditor pending a final determination by the Federal Government.

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that the auditor recommended for exclusion from the Statement because the auditor determined the costs to be not allowable or inaccurate in accordance with the terms of the Contract and applicable laws and regulations. Unsupported costs are those costs for which adequate or sufficient documentation necessary for the auditor to determine the allowability and accuracy of costs was not provided.

Questioned costs are detailed within the Schedule of Findings and Questioned Costs that accompanies the Independent Auditor's Report on Compliance.

### **Note 4. Billings**

Billings represent the amount of funds that may be reimbursed to Zantech from the Federal Government for allowable, eligible costs incurred under the contract during the period of performance.

### **Note 5. Labor**

Labor costs as presented in the Special Purpose Financial Statement for the period of September 28, 2012 to September 27, 2013 include subcontractor and consultant labor costs for the support services, contract number D12PC00523.

## **Notes to the Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>**

### **Note A: DBA Insurance Costs**

Defense Base Act (DBA) Insurance is reimbursed at actual cost with a material handling rate of 2% allowed under the contract.

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<sup>2</sup> Alphabetic notes to the Special Purpose Financial Statement were developed by and are the responsibility of the auditor.





## **Independent Auditor's Report on Internal Control**

Leadership Team  
Zantech IT Services, Inc.  
Vienna, VA

Office of the Special Inspector General for Afghanistan Reconstruction  
Arlington, VA

We have audited the Special Purpose Financial Statement ("Statement") of the Zantech IT Services, Inc. (Zantech) contract number D12PC00523 for the period of September 28, 2012 to September 27, 2013, and have issued our report thereon dated August 24, 2015.

We conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. In planning and performing our audit, we considered the entity's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiency in internal control that we considered to be a significant deficiency or material weakness.

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.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

This report is intended solely for the information of Zantech, United States Department of Defense and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. §1905 should be considered before any information is released to the public. However, upon release by SIGAR, this report is a matter of public record and its distribution is not limited.

*Williams, Adley & Company-DC, LLP*  
Washington, D.C.  
August 24, 2015





## Independent Auditor's Report on Compliance

Leadership Team  
Zantech IT Services, Inc.  
Vienna, VA

Office of the Special Inspector General for Afghanistan Reconstruction  
Arlington, VA

We have audited the Special Purpose Financial Statement ("Statement") of the Zantech IT Services, Inc. (Zantech) contract number D12PC00523 for the period of September 28, 2012 to September 27, 2013, and have issued our report thereon dated August 24, 2015.

We conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Statement amounts.

Compliance with agreement terms and laws and regulations applicable to Zantech is the responsibility of Zantech's management. As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of Zantech'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.

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Statement. We did not identify any deficiencies that we consider to be a material instance of noncompliance. We noted no instance of fraud, waste or abuse during the period audited.

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This report is intended solely for the information of Zantech, United States Department of Defense and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. §1905 should be considered before any information is released to the public. However, upon release by SIGAR, this report is a matter of public record and its distribution is not limited.

*Williams, Adley & Company-DC, LLP*  
Washington, D.C.  
August 24, 2015



## Schedule of Findings and Questioned Costs

No reportable findings or questioned costs

## Attachment A – Management Response



*Outstanding Performance ... Always*

November 12, 2015

Ms. Jocelyn Hill, CPA  
WILLIAMS, ADLEY & COMPANY-DC, LLP  
1030 15<sup>th</sup> Street, N.W.  
Suite 350 West  
Washington, DC 20005

In re: Draft Audit Report - contract number D12PC00523 with the United States Department of Defense for its Task Force for Business and Stability Operations.

Dear Ms. Hill;

We have reviewed the Draft Audit Report regarding the above referenced contract which was sent to us by e-mail on November 10, 2015 by Mr. Edgar Lopez-Jimenez. Please be advised that Zantech concurs with the findings in the Report.

If you need any additional information, please let me know.

Yours truly,

Richard J. Roth  
Executive Vice President & CFO

8300 Boone Boulevard, Suite 300, Tysons Corner, VA 22182  
Tel: (703) 286-1384 Fax: (703) 286-1399



## 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.

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