

# SIGAR

Special Inspector General  
for Afghanistan  
Reconstruction

SIGAR 21-19 Financial Audit

## USAID's Women's Leadership Development Program in Afghanistan: Audit of Costs Incurred by Tetra Tech ARD Inc.

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

FEBURARY  
2021



# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On September 23, 2014, the U.S. Agency for International Development (USAID) awarded a cost-plus-fixed-fee task order for \$41,959,377 to Tetra Tech ARD Inc. (ARD) to support the Women's Leadership Development program of the Promoting Gender Equity in National Priority Programs (Promote). The intent of the Women's Leadership Development program is to help Afghan women develop management, decision making, and leadership skills that can be applied in social, political, and economic fields.

The task order included a period of performance from September 23, 2014, through September 22, 2019. USAID modified the task order 11 times, but the modifications did not change the task order's amount or period of performance.

SIGAR's financial audit, performed by Davis Farr LLP (Davis Farr), reviewed \$5,991,970 charged to the task order from October 1, 2018, through October 22, 2019. The objectives were to (1) identify and report on material weaknesses or significant deficiencies in ARD's internal controls related to the contracts; (2) identify and report on instances of material noncompliance with the terms of the contracts, and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether ARD has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of ARD's Special Purpose Financial Statement (SPFS). See Davis Farr's report for the precise audit objectives.

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

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February 2021

USAID's Women's Leadership Development Program in Afghanistan:  
Audit of Costs Incurred by Tetra Tech ARD Inc.

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### SIGAR 21-19-FA

### WHAT SIGAR FOUND

Davis Farr found one significant deficiency in ARD's internal controls and one instance of noncompliance with the terms of the task order. Specifically, Davis Farr found that ARD used an improper accounting basis to record 11 transactions. As a result, ARD overstated its expenses for the period audited by \$122,310. All \$122,310 were deemed ineligible costs—costs prohibited by the contract, applicable laws, or regulations.

Davis Farr reviewed two prior audit reports and an internal compliance review applicable to the contract. It found 22 findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. The auditors performed follow-up audit procedures and determined that ARD has taken adequate corrective actions on all 22 findings.

Davis Farr issued an unmodified opinion on ARD's SPFS, noting that it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

### WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$122,310 in questioned costs identified in the report.**
- 2. Advise ARD to address the report's one internal control findings.**
- 3. Advise ARD to address the report's one noncompliance findings.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

February 22, 2021

Ms. Gloria Steele  
Acting Administrator, U.S. Agency for International Development

Dr. Tina Dooley-Jones  
USAID Mission Director for Afghanistan

We contracted with Davis Farr LLP (Davis Farr) to audit the costs incurred by Tetra Tech ARD Inc. (ARD) under a task order to support the U.S. Agency for International Development's (USAID's) Women's Leadership Development program of the Promoting Gender Equity in National Priority Programs (Promote).<sup>1</sup> The intent of the Women's Leadership Development program is to help Afghan women develop management, decision making, and leadership skills that can be applied in social, political, and economic fields. The auditors reviewed a total of \$5,991,970 charged to the task order from October 1, 2018, through October 22, 2019. Our contract with Davis Farr 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 recommends that the responsible contracting officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$122,310 in questioned costs identified in the report.**
- 2. Advise CNH to address the report's one internal control findings.**
- 3. Advise CNH to address the report's one noncompliance findings.**

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

We are requesting documentation related to corrective actions taken and/or target dates for completion for the recommendations. Please provide this information to [sigar.pentagon.audits.mbx.recommendation-followup@mail.mil](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil) within 60 days from the issue date of this report.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-183)

<sup>1</sup> The task order number is AID-306-I-TO-14-00031.

**TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

For the Period October 1, 2018 through October 22, 2019

# TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

For the Period October 1, 2018 through October 22, 2019

## Table of Contents

	<u>Page</u>
Transmittal Letter	i
Background	1
Work Performed	1
Objectives, Scope, and Methodology	1
Summary of Results	4
Review of Prior Findings and Recommendations	5
Summary of Tetra Tech ARD's Response to Findings	6
References to Appendices	6
Independent Auditor's Report on Special Purpose Financial Statement	7
Special Purpose Financial Statement	9
Notes to Special Purpose Financial Statement	10
Notes to Questioned Costs Presented on the Special Purpose Financial Statement	14
Report on Internal Control Over Financial Reporting Based on an Audit of the Special Purpose Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	16
Report on Compliance and Other Matters Based on an Audit of the Special Purpose Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	18
Detailed Audit Findings	20
Status of Prior Findings	22
Appendices:	
Appendix A: Tetra Tech ARD's Response to Findings	27
Appendix B: Auditor's Rebuttal to Tetra Tech ARD's Response to Findings	30

February 9, 2021

Enclosed is the final report on the financial audit of costs incurred by Tetra Tech ARD, Inc. (ARD) under Task Order No. AID-306-I-TO-14-00031 with the United States Agency for International Development (USAID) for the Women's Leadership Development (WLD) Program. The audit covers the period October 1, 2018 through October 22, 2019.

Included within the final report is a summary of the work performed, 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 from ARD, the Special Inspector General for Afghanistan Reconstruction and USAID. Management of ARD has prepared responses to the findings identified during our audit and those responses are included as part of this report. The responses have not been audited and we express no opinion on them.

Sincerely,

DAVIS FARR LLP



Marcus D. Davis, CPA  
Partner

## **TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

For the Period October 1, 2018 through October 22, 2019

### **Background**

On September 23, 2014, the United States Agency for International Development (USAID) awarded Task Order No. AID-306-I-TO-14-00031 (Task Order) to Tetra Tech ARD, Inc. (ARD) to support the Women's Leadership Development (WLD) Program. The Task Order is a cost-plus-fixed-fee (CPFF) completion type task order. This Task Order was issued under Indefinite Delivery Indefinite Quantity (IDIQ) Contract No. AID-306-I-14-00010 between USAID and ARD for the Promoting Gender Equity in National Priority Programs (PROMOTE) Project. The purpose of the PROMOTE Project is to provide women access to advanced professional development opportunities. PROMOTE has four specific components: women in the economy, women's rights groups and coalitions, women in government, and women's leadership development. WLD was implemented as the fourth component under the PROMOTE Project.

The goal of the WLD Program is to ensure that all PROMOTE participants are equipped with management, decision making and leadership skills that can be applied in social, political and economic fields. Combined with other components of the PRMOTE Project, the WLD Program is essential for producing a critical mass of women leaders such that the decision making paradigm in each sector reflects women's perspectives and priorities and helps shape the priority agendas and resource allocation decisions at national and sub-national levels.

The Task Order was awarded in the original amount of \$41,959,377, consisting of ██████████ in cost reimbursement and ██████████ in fixed fee for the period of performance from September 23, 2014 through September 22, 2019. The Task Order was modified 11 times for reasons related to the modification of the Program scope and Task Order clauses and realigning the budget. The total dollar amount and period of performance did not change.

Our audit procedures reviewed \$5,991,970 of total CPFF, consisting of ██████████ of costs incurred and ██████████ in fixed fee for the period October 1, 2018 through October 22, 2019.

### **Work Performed**

Davis Farr LLP (Davis Farr) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of ARD's Special Purpose Financial Statement (SPFS) for the period October 1, 2018 through October 22, 2019. Total CPFF reported by ARD was \$5,991,970, consisting of ██████████ of costs incurred and ██████████ in fixed fee.

### **Objectives, Scope, and Methodology**

#### **Objectives Defined by SIGAR**

The objectives of the audit include the following:

- *Special Purpose Financial Statement (SPFS)* – Express an opinion as to whether ARD's SPFS for the Task Order presents fairly, in all material respects, revenues received, costs incurred,

## **TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

For the Period October 1, 2018 through October 22, 2019

items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the Task Order and generally accepted accounting principles or other comprehensive basis of accounting.

- *Internal Controls* – Evaluate and obtain a sufficient understanding of ARD's internal control related to the Task Order; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether ARD complied, in all material respects, with the Task Order 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.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether ARD has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

### **Scope**

Total CPFF incurred for the period October 1, 2018 through October 22, 2019 were \$5,991,970, consisting of [REDACTED] of costs incurred and [REDACTED] in fixed fee. The scope of this audit included the total CPFF of \$5,991,970. The period of performance of the Task Order is complete. Our testing of the indirect cost rates was limited to verifying that the rates were calculated using the rates identified in the Negotiated Indirect Cost Rate Agreement (NICRA) approved by USAID. There were no scope limitations as part of our audit.

### **Methodology**

In order to accomplish the objectives of this audit, we designed our audit procedures to include the following:

#### **Entrance Conference**

An entrance conference was held via conference call on May 12, 2020. Participants included representatives of Davis Farr, ARD, SIGAR and the USAID.

#### **Planning**

During our planning phase, we performed the following:

- Obtained an understanding of ARD;
- Reviewed the Task Order and all modifications to date;
- Reviewed sections of the Federal Acquisition Regulation (FAR) Part 31 and the USAID Acquisition Regulation (AIDAR), as applicable to the Task Order;



## **TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

For the Period October 1, 2018 through October 22, 2019

- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques. According to the approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high, moderate or low risk for inclusion in our test of transactions. All samples were selected on a judgmental basis. Our sampling methodology was as follows:
  - For accounts that appear to contain unallowable and restricted items according to the terms of the Task Order, FAR, AIDAR and any other applicable regulations, we sampled 100% of the transactions.
  - For high risk cost categories, we sampled transactions greater than \$29,100, and additional transactions below \$29,100 to ensure that at least 50% of the total amount expended for each cost category was sampled.
  - For moderate risk categories, we sampled transactions that are greater than \$58,200, and additional transactions below \$58,200 to ensure at least 20% of the total amount expended for each cost category was sampled.
  - For low risk categories, we sampled transactions to ensure at least 10% of the costs for each low risk cost category was sampled. No sample was selected for indirect costs as we tested the proper application of indirect cost rates. This included reviewing the NICRA to ensure that ARD's indirect costs did not exceed the approved rates. Additionally, no sample was selected for the fixed fee as this is a completion type task order with deliverables required to receive the fixed fee. We tested to ensure that the deliverables were submitted as required.

### Internal Control Related to the SPFS

We reviewed ARD's internal control related to the SPFS. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. We corroborated internal control identified by ARD and conducted testing of select key controls to understand if they were implemented as designed and operating effectively.

### Compliance with Task Order Requirements and Applicable Laws and Regulations

We reviewed the Task Order and modifications and documented all compliance requirements that could have a direct and material effect on the SPFS. We assessed inherent and control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance with the Task Order requirements and laws and regulations.

## **TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

For the Period October 1, 2018 through October 22, 2019

### Corrective Action on Prior Findings and Recommendations

We reached out to SIGAR, ARD and USAID and requested all reports from previous engagements, as well as searched publicly available information for other reports, in order to evaluate the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

### Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Task Order, modifications and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Task Order and reasonable. If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Partner as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

### Exit Conference

An exit conference was held on September 23, 2020 via conference call. Participants included representatives from Davis Farr, ARD, SIGAR and USAID. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

### **Summary of Results**

Findings are classified as either 1) internal control, 2) noncompliance, or 3) a combination of internal control and noncompliance. Our audit of the costs incurred by ARD under the Task Order with USAID identified one finding that was classified as a combination of internal control and noncompliance.

### **Auditor's Opinion on SPFS**

We issued an unmodified opinion on the fairness of the presentation of the SPFS. We also identified \$122,310 of questioned costs under the Task Order. A summary of findings and questioned costs is described in the next section.

## TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

For the Period October 1, 2018 through October 22, 2019

### **Summary of Findings and Questioned Costs**

<b>Finding Number</b>	<b>Nature of Finding</b>	<b>Matter</b>	<b>Questioned Costs</b>	<b>Total Cumulative Questioned Costs</b>
2020-01	Internal control – significant deficiency Noncompliance	Costs incurred outside of SPFS period	\$122,310	\$122,310

### **Internal Control Findings**

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered ARD's internal control over financial reporting and performed tests of those controls. The results of our tests disclosed one internal control deficiency required to be reported under *Government Auditing Standards*. See Independent Auditor's Report on Internal Control on page 16.

### **Compliance Findings**

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of its compliance with certain provisions of the Task Order and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed one instance of noncompliance related to this audit. See Independent Auditor's Report on Compliance on page 18.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Evidence of such items was not identified by our testing.

### **Review of Prior Findings and Recommendations**

We requested from ARD, SIGAR and USAID copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to ARD's activities under the Task Order. Based upon this request, we identified the following three prior engagements that contained a total of 33 findings, 22 of which could have a potential material effect on the SPFS or other financial data significant to the audit objectives:

- Audit Report: SIGAR 19-26 Financial Audit "USAID's Women's Leadership Development Project in Afghanistan: Audit of Costs Incurred by ARD Inc." for the period October 1, 2015 through September 30, 2017, which was conducted by Crowe LLP on behalf of SIGAR, and issued by SIGAR on March 22, 2019. This financial audit report contained two findings that we reviewed.

## **TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

For the Period October 1, 2018 through October 22, 2019

- Audit Report: SIGAR 20-07 Financial Audit "USAID's Engineering Support Program in Afghanistan: Audit of Costs Incurred by Tetra Tech, Inc." for the period July 23, 2016 through July 22, 2018, which was conducted by Conrad LLP on behalf of SIGAR, and issued by SIGAR on November 6, 2019. This financial audit report contained six findings that we reviewed.
- Internal Compliance Review: Report No. ARD-ICR-2017-05-WLD for the period January 1, 2016 through September 30, 2017, which was performed by ARD and issued on March 23, 2018. This internal compliance review contained 25 findings, 10 of which were closed by the internal compliance auditor. Of the remaining 15 findings, 14 could have a potential material effect on the SPFS or other financial data significant to the audit objectives and thus were reviewed as part of our audit.

We performed follow-up procedures, tested transactions and reviewed documentation to determine if these issues occurred under our audit. Accordingly, we have concluded that ARD has taken adequate corrective action on all 22 prior findings. See the Status of Prior Findings on page 20 for a detailed description of the prior findings and recommendations.

### **Summary of ARD's Responses to Findings**

The following represents a summary of the responses provided by ARD to the findings identified in this report. The complete responses received can be found in Appendix A to this report. ARD disagreed with Finding 2020-01 indicating that there is no period of performance requirement identified in FAR 31.201-4. It contends that even though the payments were made outside of the SPFS period, the costs were otherwise allowable, allocable and reasonable.

### **References to Appendices**

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

**INDEPENDENT AUDITOR'S REPORT  
ON SPECIAL PURPOSE FINANCIAL STATEMENT**

Tetra Tech ARD, Inc.  
159 Bank Street, Suite 300  
Burlington, Vermont 05402

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 the accompanying Special Purpose Financial Statement of Tetra Tech ARD, Inc. (ARD) under Task Order No. AID-306-I-TO-14-00031 (Contract) with the United States Agency for International Development (USAID) to support the Women's Leadership Development (WLD) Program for the period October 1, 2018 through October 22, 2019, and the related notes to the Special Purpose Financial Statement.

***Management's Responsibility for the Special Purpose Financial Statement***

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the methods of preparation described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements (including the Special Purpose Financial 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 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Special Purpose Financial 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 Special Purpose Financial 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

Tetra Tech ARD, Inc.  
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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 Special Purpose Financial 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 Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by ARD under the Task Order for the period October 1, 2018 through October 22, 2019 in accordance with the basis of accounting described in Note 2.

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

This report is intended for the information of ARD, USAID, 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 USC 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 9, 2021 on our consideration of ARD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purposes of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ARD's internal control over financial reporting and compliance.

*Darin Furr LLP*

Irvine, California  
February 9, 2021

**TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

Special Purpose Financial Statement

For the Period October 1, 2018 through October 22, 2019

	<u>Budget</u>	<u>Expenditures</u>	<u>Questioned Costs</u>		<u>Total</u>	<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>		
Revenues:						
AID-306-I-TO-14-00031	\$ 41,959,377	\$ 5,991,970	\$ -	\$ -	\$ -	(3)
Total revenues	<u>41,959,377</u>	<u>5,991,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Direct costs						
Indirect costs						
Grants under contract						
Grant management fee						
Total costs incurred						
Fixed Fee						
Total costs plus fixed fee	<u>41,959,377</u>	<u>5,991,970</u>	<u>(122,310)</u>	<u>-</u>	<u>(122,310)</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (122,310)</u>	<u>\$ -</u>	<u>\$ (122,310)</u>	(8),(F)

See Notes to Special Purpose Financial Statement  
and Notes to Questioned Costs Presented on the Special Purpose Financial Statement

## **TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

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

For the Period October 1, 2018 through October 22, 2019

### **(1) Background**

On September 23, 2014, the United States Agency for International Development (USAID) awarded Task Order No. AID-306-I-TO-14-00031 (Task Order) to Tetra Tech ARD, Inc. (ARD) to support the Women's Leadership Development (WLD) Program. The Task Order is a cost-plus-fixed-fee (CPFF) completion type task order. This Task Order was issued under Indefinite Delivery Indefinite Quantity (IDIQ) Contract No. AID-306-14-00010 between USAID and ARD for the Promoting Gender Equity in National Priority Programs (PROMOTE) Project. The purpose of the PROMOTE Project is to provide access to advanced professional development opportunities to women through four specific components: women in the economy, women's rights groups and coalitions, women in government, and women's leadership development. WLD was implemented as the fourth component under the PROMOTE Project.

The goal of the WLD Program is to ensure that all PROMOTE participants are equipped with management, decision making and leadership skills that can be applied in social, political and economic fields. Combined with other components of the PRMOTE Project, the WLD Program is essential for producing a critical mass of women leaders such that the decision making paradigm in each sector reflects women's perspectives and priorities and helps shape the priority agendas and resource allocation decisions at national and sub-national levels.

The Task Order was awarded in the original amount of \$41,959,377, consisting of \$[REDACTED] in cost reimbursement and \$[REDACTED] in fixed fee for the period of performance from September 23, 2014 through September 22, 2019. The Task Order was modified 11 times for reasons related to the modification of the Program scope and Task Order clauses and realigning the budget. The total dollar amount and period of performance did not change.

### **(2) Summary of Significant Accounting Policies**

#### Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred for the WLD Program for the period October 1, 2018 through October 22, 2019. Because the SPFS presents only a selected portion of the operations of ARD, it is not intended to and does not present the financial position, changes in financial position, or cash flows of ARD. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), accounting principles generally accepted in the United States of America, and is specific to the aforementioned Task Order.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement with a numeric identifier are the responsibility of ARD.



**TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women’s Leadership Development (WLD) Program

Notes to Special Purpose Financial Statement

(Continued)

**(2) Summary of Significant Accounting Policies (Continued)**

Basis of Accounting

Expenditures reported on the SPFS are required to be presented in accordance with accounting principles generally accepted in the United States of America and, therefore, are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 48 CFR Part 31.

Currency

The SPFS is presented in U.S. dollars. ARD converts any expenses that were paid in Afghanis into U.S. dollars by using the current exchange rate in effect on the transaction date.

**(3) Revenue**

As of October 22, 2019, ARD has reported \$5,991,970 in revenue, which is inclusive of the fixed fee of [REDACTED]. This revenue equals the costs incurred by ARD under the Task Order for the period October 1, 2018 through October 22, 2019.

**(4) Direct Costs**

The cost categories included in the SPFS are those as identified in the Task Order and modifications. ARD further details its direct costs incurred into other cost categories to more align with its accounting records. Below are the actual direct costs incurred by ARD using its internal cost categories:

<u>Cost Category</u>	<u>Amount</u>
Other direct costs	[REDACTED]
Subcontractors	[REDACTED]
Direct labor and fringe	[REDACTED]
Allowances	[REDACTED]
Travel	[REDACTED]
Consultants	[REDACTED]
Materials/equipment	[REDACTED]
Total costs	[REDACTED]

**TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women’s Leadership Development (WLD) Program

Notes to Special Purpose Financial Statement

(Continued)

**(5) Indirect Costs**

ARD’s indirect costs were reviewed and approved by USAID in a Negotiated Indirect Cost Rate Agreement (NICRA) dated April 2, 2019. The following provisional indirect cost rates were applicable to the Contract:

Effective Period	Fringe Benefits		Overhead		G&A (e)
	Full Time (a)	Part Time (b)	ARD Division (c)	Material Handling (d)	
10/1/18 until amended	██████████	██████████	██████████	██████████	██████████

Base of Application:

- (a) Total full time direct and indirect labor dollars
- (b) Total part time direct and indirect labor dollars
- (c) ARD division direct labor dollars including Cooperating Country National (CCN) and Third Country National (TCN) technical labor dollars
- (d) Direct subcontracts, grants, equipment, pass-through commodities and supplies
- (e) Total costs excluding general and administrative (G&A), subcontracts, grants, equipment, pass-through commodities and supplies

**(6) Grant Management Fee**

ARD is entitled to a grant management fee of ██████████ for all grants under contract.

**(7) Fixed Fee**

The Task Order is a CPFF completion type task order. ARD is entitled to receive a fixed fee of approximately ██████████ of the costs incurred, excluding subgrants, not to exceed ██████████.

**(8) Outstanding Fund Balance**

As of October 22, 2019, there was no outstanding fund balance under the Task Order as the SPFS is prepared under the accrual basis of accounting described in Note 2.

**(9) Budget**

The Budget as represented on the SPFS is the budget for the Task Order as a whole. The budget is not broken down into the period covered by the SPFS, which is October 1, 2018 through October 22, 2019.

**TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

Notes to Special Purpose Financial Statement

(Continued)

**(10) Subsequent Events**

ARD has evaluated subsequent events through February 9, 2021, which is the date the SPFS was available to be issued. There were no events subsequent to this date that would impact the SPFS.

## TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

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

For the Period October 1, 2018 through October 22, 2019

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are explicitly questioned because they are unreasonable, prohibited by the Task Order, prohibited by applicable laws and regulations, or not Task Order related. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

**(A) Direct Costs**

ARD reported direct costs in the amount of \$ [REDACTED] for the period October 1, 2018 through October 22, 2019. During our audit of these costs, we identified \$ [REDACTED] in questioned costs, consisting of \$ [REDACTED] of other direct (ineligible) costs and \$ [REDACTED] of travel (ineligible) costs that were incurred prior to October 1, 2018. See Finding No. 2020-01.

**(B) Indirect Costs**

ARD reported indirect costs in the amount of \$ [REDACTED] for the period October 1, 2018 through October 22, 2019. The indirect cost rates described in Note 5 of the Notes to Special Purpose Financial Statement were applied to the associated questioned costs identified in Note A, which resulted in questioned (ineligible) indirect costs of \$ [REDACTED].

**(C) Grants Under Contract**

ARD reported grants under contract in the amount of \$ [REDACTED] for the period October 1, 2018 through October 22, 2019. During our audit of these costs, we identified \$57,382 in questioned (ineligible) costs that was incurred prior to October 1, 2018. See Finding No. 2020-01.

**(D) Grant Management Fee**

ARD reported a grant management fee in the amount of \$ [REDACTED]. The grant management fee rate described in Note 6 of the Notes to Special Purpose Financial Statement were applied to the associated questioned costs identified in Note C, which resulted in questioned (ineligible) grant management fee of \$ [REDACTED].

**(E) Fixed Fee**

ARD reported a fixed fee in the amount of [REDACTED]. The fixed fee described in Note 7 of the Notes to Special Purpose Financial Statement was applied to the associated indirect costs identified in Notes A and B, which resulted in questioned (ineligible) fixed fee of \$ [REDACTED].

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<sup>2</sup> The Notes to Questioned Costs presented on the Special Purpose Financial Statement with an alphabetical identifier were prepared by Davis Farr LLP for information purposes only and as such are not a part of the audited Special Purpose Financial Statement.

**TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

Notes to Questioned Costs Presented on the Special Purpose Financial Statement

(Continued)

**(F) Outstanding Fund Balance**

The total outstanding fund balance as of October 22, 2019 in the amount of \$(122,310) represents the total questioned ineligible costs of \$122,310.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT**

Tetra Tech ARD, Inc.  
159 Bank Street, Suite 300  
Burlington, Vermont 05402

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 of Tetra Tech ARD, Inc. (ARD) under Task Order No. AID-306-I-TO-14-00031 (Task Order) with the United States Agency for International Development (USAID) to support the Women's Leadership Development (WLD) Program for the period October 1, 2018 through October 22, 2019, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated February 9, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the Special Purpose Financial Statement, we considered ARD's internal control over financial reporting (internal control) to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of ARD's internal control. Accordingly, we do not express an opinion on the effectiveness of ARD'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 financial statements 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 first paragraph of this section and was not designed to identify all deficiencies in internal control

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that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying Detailed Audit Findings as Finding Number 2020-01 that we consider to be a significant deficiency.

### **ARD's Response to Findings**

ARD's response to the finding identified in our audit is included verbatim in Appendix A. ARD's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the result 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.

This report is intended for the information of ARD, USAID, 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, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Dawn Fann LLP*

Irvine, California  
February 9, 2021

**REPORT ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT**

Tetra Tech ARD, Inc.  
159 Bank Street, Suite 300  
Burlington, Vermont 05402

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 of Tetra Tech ARD, Inc. (ARD) under Task Order No. AID-306-I-TO-14-00031 (Task Order) with the United States Agency for International Development (USAID) to support the Women's Leadership Development (WLD) Program for the period October 1, 2018 through October 22, 2019, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated February 9, 2021.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ARD's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and the aforementioned Task Order, noncompliance with which could have a direct and material effect on the determination of Special Purpose 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. As we performed our testing, we considered whether the information obtained during our testing indicated the possibility of fraud or abuse. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Detailed Audit Findings as Finding Number 2020-01.



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### **ARD's Response to Findings**

ARD's response to the finding identified in our audit is included verbatim in Appendix A. ARD's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

This report is intended for the information of ARD, USAID, 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, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Dawn Farnell*

Irvine, California  
February 9, 2021

## TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

### Detailed Audit Findings

For the Period October 1, 2018 through October 22, 2019

#### **Finding 2020-01: Costs Incurred Outside of SPFS Period**

##### **Nature of Finding:**

Internal control – significant deficiency  
Noncompliance

##### **Condition:**

ARD has prepared its SPFS on the accrual basis of accounting, which requires that expenses be reported when they are incurred. However, ARD recorded eleven transactions on the cash basis of accounting, which requires that expenses be reported when they are paid. This overstated costs for the period audited. ARD included transactions totaling \$109,036 which were incurred prior to October 1, 2018 on its SPFS. Specifically, we noted the following:

<u>Cost Category</u>	<u>Transactions Sampled</u>		<u>Transactions Incurred Prior to October 1, 2018</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Direct costs:				
Other direct costs	111	\$ [REDACTED]	5	\$ [REDACTED]
Travel	<u>12</u>	[REDACTED]	<u>4</u>	[REDACTED]
Total direct costs	123	[REDACTED]	9	[REDACTED]
Grants under contract	<u>17</u>	[REDACTED]	<u>2</u>	[REDACTED]
Totals	<u>140</u>	\$ [REDACTED]	<u>11</u>	\$ [REDACTED]

##### **Cause:**

The invoices for the costs incurred prior to October 1, 2018 took a long time to work their way through ARD's approval process. As a result, the transactions were not recorded in the general ledger when the actual expenses were incurred. These expenses should have been recorded in the general ledger for the previous accounting period.

##### **Criteria:**

48 CFR § 52.230-3, *Disclosure and Consistency of Cost Accounting Practices*, states, in part:

“(a) The Contractor, in connection with this contract, shall...

(3)(i) Follow consistently the Contractor's cost accounting practices...”

ARD's cost accounting practices are to use the accrual basis of accounting in accordance with generally accepted accounting principles as promulgated by the Financial Accounting Standards Board (FASB). The FASB is the accounting standard setting body for entities such as ARD. The SPFS is prepared on the accrual basis of accounting. Under the accrual basis of accounting, expenses are

## TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

### Detailed Audit Findings

(Continued)

reported when they are incurred. In other words, the expenses are to be recognized regardless of when the payment is actually made.

#### Effect:

Reporting expenses on a basis of accounting different from the basis of accounting with which the SPFS was prepared resulted in an overstatement of costs for the period October 1, 2018 through October 22, 2019.

#### Questioned Costs:

Total questioned costs (ineligible) resulting from reporting expenses outside of the SPFS period were \$122,310, including associated indirect costs, grant management fee and fixed fee as follows:

	Questioned Costs (Ineligible)
Direct costs	\$ ██████
Grants under contract	— ██████
Subtotal	████████
Indirect costs (a)	████████
Grant management fee (b)	████████
Fixed fee (c)	— ██████
Total questioned costs (ineligible)	<u>\$122,310</u>

- (a) Indirect costs calculated at ██████ of direct costs, plus ██████ of grants under contract.
- (b) Grant management fee calculated at ██████ of grants under contract.
- (c) Fixed fee calculated at ██████% of direct costs plus indirect costs.

#### Recommendation:

- (1) We recommend that ARD either provide evidence that the costs incurred outside of the audit period were not previously billed to USAID, or return \$122,310 to the U.S. Government.
- (2) We recommend that ARD establish procedures to ensure that costs are reported in the period in which they are incurred.
- (3) We recommend that ARD review future special purpose financial statements prior to submission to ensure that costs are reported on the accrual basis of accounting, and to provide training to appropriate individuals to ensure procedures are implemented correctly.

## TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

### Status of Prior Audit Findings

For the Period October 1, 2018 through October 22, 2019

We requested from ARD, SIGAR and USAID copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to ARD's activities under the Task Order. We identified two financial audit reports and one internal compliance review that contained a total of 22 findings that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We have performed follow up procedures including discussion with management, reviewed the revised policies and procedures and conducted testing of similar areas surrounding these issues during our current audit. Accordingly, we have concluded that ARD had taken adequate corrective actions on all 22 findings. The summary of prior audit findings that could have a potential material effect on the SPFS are listed below:

**Audit Report: SIGAR 19-26 Financial Audit "USAID's Women's Leadership Development Project in Afghanistan: Audit of Costs Incurred by ARD Inc." for the period October 1, 2015 through September 30, 2017, which was conducted by Crowe LLP on behalf of SIGAR, and issued by SIGAR on March 22, 2019**

This audit report contained two findings, both of which could have a potential material effect on the SPFS or other financial data significant to the audit objectives. The results of our review are as follows:

- **Finding 2018-01: Inadequate Monitoring and Support for Cost Share Transactions** – The audit firm noted that for grants under contract that contained a cost share requirement, documentation was not available to support the validity of the cost share amounts.

**Status:** USAID evaluated the finding and determined that the cost share amounts were allowable. As such, the corrective action has been adequately implemented.

- **Finding 2018-02: Failure to Ensure that Grantees were Audited in Accordance with USAID Requirements** – The audit firm noted that ARD did not determine whether its grantees exceeded the applicable threshold requiring an audit based on total USAID expenditures for each grantee's fiscal year.

**Status:** USAID evaluated the finding and advised ARD to utilize a system for cost share verification as evidence for meeting its cost share requirements. ARD's system was to obtain detail from its grantees as to expenditures incurred. We tested 17 grants under contract transactions and noted that all transactions were adequately supported. As such, the corrective action has been adequately implemented.

## TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

Status of Prior Audit Findings

(Continued)

**Audit Report: SIGAR 20-07 Financial Audit "USAID's Engineering Support Program in Afghanistan: Audit of Costs Incurred by Tetra Tech, Inc." for the period July 23, 2016 through July 22, 2018, which was conducted by Conrad LLP on behalf of SIGAR, and issued by SIGAR on November 6, 2019**

This audit report contained six findings, all of which could have a potential material effect on the SPFS or other financial data significant to the audit objectives. The results of our review are as follows:

- **Finding 2019-01: Lack of Evidence for Separate Maintenance Allowance Qualification** – The audit firm noted that documentation was missing to support employees' eligibility for the receipt of a separate maintenance allowance.

**Status:** We tested 154 allowance transactions and found all transactions to be properly supported. As such, the corrective action has been adequately implemented.

- **Finding 2019-02: Medical Allowances Unallowable under the Contract Claimed** – The audit firm noted that medical allowances were included for CCN personnel and also included in the fully loaded rate for the CCN personnel.

**Status:** We tested 154 allowance transactions and noted no allowances which were deemed to be unallowable. As such, the corrective action has been adequately implemented.

- **Finding 2019-03: Lack of Sufficient Evidence to Support Costs Claimed** – The audit firm noted that for subcontractor and other direct costs incurred, some transactions tested were not adequately supported.

**Status:** We tested 415 transactions across all cost categories and all transactions tested were adequately supported. As such, the corrective action has been adequately implemented.

- **Finding 2019-04: Insufficient Evidence to Show Adherence to Tetra Tech's Procurement Policy** – The audit firm noted that ARD did not follow its procurement procedures as to competitive bidding and reasonableness of cost.

**Status:** We tested 309 non-labor transactions to ensure that all purchases were in accordance with ARD's procurement policies. No exceptions were noted. As such, the corrective action has been adequately implemented.

- **Finding 2019-05: Lack of Evidence for Exclusion and Anti-Terrorist Check** – The audit firm noted that ARD did not consistently perform or document its performance of exclusion and/or anti-terrorist checks.

**Status:** We tested 137 travel, materials and equipment, other direct costs and subcontractor transactions to ensure that an exclusion or anti-terrorist check was performed. No exceptions were noted. As such, the corrective action has been adequately implemented.

## TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

### Status of Prior Audit Findings

(Continued)

- **Finding 2019-06: Surprise Petty Cash Count not Performed in June 2018** – The audit firm noted that ARD was unable to support whether it performed a surprise petty cash count for one month during the audit period.

**Status:** We reviewed internal controls related to petty cash counts without exception. As such, the corrective action has been adequately implemented.

### **Internal Compliance Review: Report No. ARD-ICR-2017-05-WLD for the period January 1, 2016 through September 30, 2017, which was performed by ARD and issued on March 23, 2018**

This internal compliance review conducted by ARD contained 25 findings, 10 of which were closed by the internal compliance auditor. Of the remaining 15 findings, 14 could have a potential material effect on the SPFS or other financial data significant to the audit objectives. The results of our review are as follows:

- **Finding #1: Inconsistent Procurement Practices Could Jeopardize the Integrity of the Procurement Process** – ARD identified several inconsistencies with its established procurement practices.

**Status:** We tested 309 non-labor transactions to ensure that all purchases were in accordance with ARD's procurement policies. No exceptions were noted. As such, the corrective action has been adequately implemented.

- **Finding #2: Instances of Less than Adequate Price Competition are not Always Justified** – ARD noted that the justifications for sole-sourced procurements were not always in accordance with the FAR or ARD's procurement policies.

**Status:** We tested 309 non-labor transactions to ensure that all purchases were in accordance with ARD's procurement policies. No exceptions were noted. As such, the corrective action has been adequately implemented.

- **Finding #3: Several Significant Sized Procurements Might Have Been Based on Inadequate Competition** – ARD noted that several procurements had the scope of work expanded after a purchase order was issued and instead of seeking new bids, the additional work was added to the existing purchase order.

**Status:** We tested 309 non-labor transactions to ensure that all purchases were in accordance with ARD's procurement policies. No exceptions were noted. As such, the corrective action has been adequately implemented.

- **Finding #4: USAID Vetting is not Always Obtained in a Timely Manner** – ARD noted that the vetting process did not occur timely for new and existing vendors.

## TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

### Status of Prior Audit Findings

(Continued)

**Status:** We tested 137 travel, materials and equipment, other direct costs and subcontractor transactions to ensure that an exclusion or anti-terrorist check was performed. No exceptions were noted. As such, the corrective action has been adequately implemented.

- **Finding #5: WLD Does Not have a System in Place to Ensure Required Subcontractor's Compliance with Vetting Requirements** – ARD noted that it does not adequately monitor its subcontractors to ensure they are complying with USAID's vetting requirements.

**Status:** We tested 13 subcontractor transactions and noted that the subcontractor adequately performed vetting procedures. As such, the corrective action has been adequately implemented.

- **Finding #8: Stratex, WLD's Landlord, is Grossing Up its Invoices to Include Withholding Taxes** – ARD noted that the landlord is adding the withholding tax to its invoices instead of ARD deducting the withholding taxes and remitting.

**Status:** We reviewed invoices from the landlord and noted that the landlord is not including withholding taxes in its invoices. As such, the corrective action has been adequately implemented.

- **Finding #9: Goods Received Notes are not Designed to Adequately Reduce Risk in the Receiving Process** – ARD noted that goods received notes in its system matches the vendor invoices and does not indicate whether the goods received agreed to the quantity ordered, the quality ordered and whether the goods were received in good condition.

**Status:** We reviewed the Goods Received Note to ensure it was modified to address the condition noted. As such, the corrective action has been adequately implemented.

- **Finding #12: Revisions are Needed to the WLD Personnel Manual to Incorporate Child Safeguarding Standards** – ARD noted that USAID's Child Safeguarding Standards are not communicated to employees as required by the Task Order.

**Status:** We inspected the revised WLD Personnel Manual and noted that child safeguarding standards were incorporated. As such, the corrective action has been adequately implemented.

- **Finding #13: Undocumented University Degree was Used to Determine NTA Classification of Logistic Assistant** – ARD noted that one employee hired did not obtain a required degree within the timeframe prescribed and thus was incorrectly ranked within the NTA scale.

**Status:** We tested rates of pay for 43 CCNs without exception. As such, the corrective action has been adequately implemented.

## TETRA TECH ARD, INC.

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

### Status of Prior Audit Findings

(Continued)

- **Finding #16: Petty Case is not Being Maintained in Accordance with the Project Accounting Handbook** – ARD noted that an imprest system for petty cash is required per the Project Accounting Handbook but not being used, and that some petty cash purchases exceeded the individual limit.

**Status:** Through inquiries of ARD management, we noted that ARD performed weekly cash counts of petty cash with a witness present to ensure balances were accurate and that the funds were used in accordance with policy. As such, the corrective action has been adequately implemented.

- **Finding #20: The GardaWorld Fuel & Mileage Tracker Could not be Reconciled to the GV Daily Movement Logs** – ARD noted that it was difficult to use documents maintained by GardaWorld, one of ARD's subcontractors, to support that it was adequately tracking vehicles and usage.

**Status:** We reviewed the revised Fuel & Mileage Tracker to ensure changes were incorporated as requested. As such, the corrective action has been adequately implemented.

- **Finding #21: WLD's Expendable and Nonexpendable Inventory is not Insured** – ARD noted that its expendable and nonexpendable property is not insured as required by the Project Property Insurance Policy.

**Status:** We interviewed ARD management who indicated that it tried to obtain such insurance in Afghanistan but that it was not available. As such, the corrective action has been adequately implemented.

- **Finding #22: WLD is not in Compliance with Some Task Order Requirements** – ARD noted that it was not in compliance with requirements related to government-owned property and reporting and combatting trafficking in persons.

**Status:** We reviewed the annual report on property and the annual certification as to trafficking. As such, the corrective action has been adequately implemented.

- **Finding #25: Approval for GardaWorld Long-term Leased Vehicles were not Approved by USAID** – ARD noted that vehicles leased on a long-term basis by GardaWorld did not have approval from USAID.

**Status:** ARD provided approval from USAID for a long-term lease of vehicles. As such, the corrective action has been adequately implemented.



January 27, 2021

Marc Davis  
Partner  
Davis Farr Certified Public Accountants

Reference: Women's Leadership Development (WLD) Program  
Draft Audit Report for the Period October 1, 2018 through October 22, 2019

Subject: Tetra Tech ARD Management Response

Dear Mr. Davis,

Thank you for the opportunity to provide the Management Response for the subject audit report.

With respect to the one audit finding, 2020-01: Costs incurred outside of SPFS period in the amount of \$122,310, the report states that since the costs were outside the period they were not allocable.

Tetra Tech ARD respectfully disagrees with this audit finding and believes that the questioned costs are, in fact, allowable and allocable to the contract and meet the FAR requirements for allocability.

In reviewing FAR 31.201-4, there is no mention of a period of performance. The relevant portion of the FAR is included below:

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

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

Tetra Tech ARD contends that even though the payments were made outside of the SPFS period of performance, they are allocable based on the definition above: they were incurred specifically for the contract; benefit the contract; and are necessary for the overall operation of the business to achieve the scope of work of the contract. The costs associated with Finding 2020-01 were all allowable, allocable and reasonable and were incurred within the period of performance of the prime contract.

With regard to the auditor's recommendations:

**Recommendation 1:** "We recommend that ARD either provide evidence that the costs incurred outside of the audit period were not previously billed to USAID, or return \$122,310 to the U.S. Government."

**Tetra Tech ARD Response:** Tetra Tech ARD can show that the costs were not previously billed to USAID. Upon request, Tetra Tech ARD would be pleased to share copies of all invoices submitted to USAID for reimbursement to verify that the questioned costs were not previously billed to USAID. As such, there it is not necessary to return the \$122,310.

**Recommendation 2:** "We recommend that ARD establish procedures to ensure that costs are reported in the period in which they are incurred."

**Tetra Tech ARD Response:** As mentioned above and in accordance with FAR 31.201-4, there is no requirement to report costs in the period in which they are incurred. The only requirement is to ensure that costs are incurred during the period of performance of prime contract. As such, Tetra Tech ARD disagrees with this recommendation as there is no need to establish procedures to reports costs in the period in which they are incurred.

**Recommendation 3:** "We recommend that ARD review future special purpose financial statements prior to submission to ensure that costs are reported on the accrual basis of accounting, and to provide training to appropriate individuals to ensure procedures are implemented correctly."

**Tetra Tech ARD Response:** As mentioned above and in accordance with FAR 31.201-4, since there is no requirement to report costs in the period in which they are incurred, there is equally no need to either review future SPFS or provide trainings since Tetra Tech ARD's financial systems are in full compliance. Tetra Tech ARD respectfully disagrees with this recommendation.

\* \* \*

In summary, the questioned costs, in all cases, meet the criteria for allocability. The costs were direct or other direct costs that were incurred specifically in support of the cost objectives of the contract. The costs were incurred specifically for the respective prime contract and were necessary for implementation. The costs may have been incurred outside of the time period of the audit, October 1, 2018 through October 22, 2019, but were within the period of performance of the prime contract in which they were incurred. Costs were invoiced and recognized as the invoices were collected and information made available to recognize these costs. Further, the costs were not previously billed to

USAID. The audit report did not dispute that the costs were otherwise reasonable or allowable and since FAR 31.201-4 does not address Fiscal Year timing for allocability of costs, Tetra Tech ARD maintains that these costs are allocable.

Please do not hesitate to contact me at [REDACTED] should you have any questions.

Regards,

[REDACTED]

Senior Contracts Grants and Procurement Manager  
Tetra Tech ARD

**TETRA TECH ARD, INC.**

Financial Audit of Costs Incurred Under  
Task Order No. AID-306-I-TO-14-00031  
Women's Leadership Development (WLD) Program

Auditor's Rebuttal to ARD's Response to Findings

For the Period October 1, 2018 through October 22, 2019

ARD disagreed with the finding included in this report. We have reviewed management's response for its disagreement and provide the following rebuttal.

**Finding 2020-01: Costs Incurred Outside of SPFS Period**

ARD disagreed with this finding indicating that there is no period of performance requirement identified in FAR 31.201-4. It contends that even though the payments were made outside of the SPFS period, the costs were otherwise allowable, allocable and reasonable. ARD indicated that it can provide documentation to show that the costs were not previously billed to USAID. We disagree with each of these comments for the following reasons:

**No Period of Performance Requirement**

We agree that there is no period of performance requirement identified in FAR 31.201-4. However, when ARD submitted its SPFS to us for audit, ARD informed us that the SPFS was prepared on the accrual basis of accounting. The SPFS covered the period October 1, 2018 through October 22, 2019. Under the accrual basis of accounting, expenses are reported when they are incurred, not when they are paid. ARD did not report the expenses in question when they were incurred. As such, only costs incurred during the period October 1, 2018 through October 22, 2019 should be included on the SPFS. Instead, they reported the expenses in question when they were paid, which is not in accordance with the accrual basis of accounting. 48 CFR 52.230-3, *Disclosure and Consistency of Cost Accounting Practices*, requires ARD to consistently follow its cost accounting practices. ARD's accounting practices are to report costs on the accrual basis of accounting as disclosed to us upon submission of the SPFS. By not reporting the expenses in question on the accrual basis of accounting, ARD did not comply with 48 CFR 52.230-3.

**Payments were Allowable, Allocable and Reasonable**

We agree that in simply reviewing the individual transactions without taking into context when they were paid, the transactions would be considered allowable, allocable and reasonable. However, because the SPFS is prepared on the accrual basis of accounting, and for the reasons described in the above rebuttal to "no period of performance requirement", the transactions in question should not have been reported on the SPFS.

**Availability of Additional Documentation**

ARD indicates that it can provide documentation to demonstrate that the costs were not previously billed to USAID. No such documentation has been provided for our review. As such, ARD either needs to demonstrate to USAID that it has not previously billed for these costs, or return the funds to the U.S. Government.

For the above reasons, our finding remains unchanged.

## 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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## Public Affairs

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