



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 2, 2013

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

Ms. Sarah W. Wines
Acting Mission Director for Afghanistan
U.S. Agency for International Development

On June 6, 2013, I sent you the results of an audit of Chemonics International, Inc. (Chemonics), which identified significant concerns about the firm meeting its responsibilities under a federal contract.¹ SIGAR contracted with the audit firm of Crowe Horwath to perform a financial audit of costs incurred by Chemonics under USAID's contract supporting the Alternative Livelihoods Program–Southern Region. Crowe Horwath issued a disclaimer of opinion on the contract's special purpose financial statement because of the following matters:

- Chemonics refused to provide support necessary to demonstrate that the indirect costs charged to the contract were accurate;
- Crowe Horwath observed instances of noncompliance with the terms and conditions of the contract and applicable regulations that have a direct and material effect on amounts presented in the special-purpose financial statement; and
- Chemonics management was unwilling to represent to certain financial and compliance matters that are required components of management's responsibilities under generally accepted government auditing standards.

I take such lack of cooperation with a federal audit and the findings reported by Crowe Horwath very seriously. I am consulting with my General Counsel and my Assistant Inspector General for Investigations about its implications as I plan additional audits and, potentially, investigations involving Chemonics. Similarly, I urge you to consider appropriate actions for USAID to take. Specifically, I suggest that you

- take special care in reviewing the \$13,555,998 in questioned costs, the two material weaknesses, and six significant deficiencies reported;
- remind Chemonics about its responsibility to fully cooperate with federal audits as well as the criminal penalties for obstructing a federal audit,² and

¹ SIGAR Financial Audit 13-1, *Audit of Costs Incurred by Chemonics International, Inc in Support of USAID's Alternative Livelihoods Program–Southern Region*, June 6, 2013.

² 18 U.S.C. § 1516.

- consider the matters identified above in evaluating future awards and award modifications involving Chemonics.

If you have questions or need additional information regarding the audit, please contact my Assistant Inspector General for Audits and Inspections, Ms. Elizabeth Field, at 703-545-6006 or elizabeth.a.field9.civ@mail.mil.

A handwritten signature in black ink, appearing to read 'J. F. Sopko', with a long horizontal flourish extending to the right.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction