



MEMORANDUM

DATE: February 20, 2019

TO: USAID/Afghanistan Mission Director, Peter Natiello

FROM: Middle East/Eastern Europe Regional Office (Frankfurt), Assistant Audit Director, Saiming T. Wan /s/

SUBJECT: Costs Incurred Financial Audit of Tetra Tech ARD, Inc., Under Initiative to Strengthen Local Administration in Afghanistan, Award AID-306-C-15-00005, October 1, 2015, to September 30, 2016 (Report No. 8-306-19-001-N)

This memorandum transmits the final audit report on costs incurred financial audit of Tetra Tech ARD, Inc., under initiative to strengthen local administration in Afghanistan, award No. AID-306-C-15-00005, October 1, 2015, to September 30, 2016. The USAID/Afghanistan contracted with the independent certified public accounting firm CohnReznick to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Tetra Tech's schedule of costs incurred; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of costs incurred for the period from October 1, 2015, to September 30, 2016, was presented fairly, in all material respects; (2) evaluate the Tetra Tech's internal controls; (3) determine whether Tetra Tech complied with award terms and applicable laws and regulations; (4) verify that the correct

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

indirect cost rate(s) have been applied in accordance with the terms of the award and the Negotiated Indirect Cost Agreement; and (5) determine if Tetra Tech has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$8,506,715, for the period October 1, 2015, to September 30, 2016.

The auditors expressed an unmodified opinion on the schedule of costs incurred and did not identify any questioned cost. The audit firm did not identify any material internal control weaknesses but identified one significant deficiency on internal control related to the timely submission of quarterly reports; the audit firm also considered this finding as a material instance of noncompliance.

To address the issues identified in the report, the auditors made recommendation to the auditee. We agree and recommend that USAID/Afghanistan do the following:

Recommendation I. Require Tetra Tech to establish and implement policies and procedures ensuring the required reports are submitted in a timely manner, as detailed on pages 26-29 of CohnReznick audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").