

# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

SIGAR 23-03 Financial Audit

## State's Justice Sector Support Program – Afghanistan: Audit of Costs Incurred by Tetra Tech Inc.

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



NOVEMBER  
2022

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On August 28, 2017, the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs (State) awarded a 5-year, \$116,494,908 contract to Tetra Tech Inc. (Tetra Tech) to support the Justice Sector Support Program–Afghanistan. The program's objective was to bolster the Afghan justice system's capacity to administer justice in a sustainable, Afghan-led manner, with the goal of ensuring self-sufficiency. State modified the contract 37 times; the total amount decreased to \$110,791,000, while the August 27, 2022, performance end date remained unchanged.

SIGAR's financial audit, performed by Davis Farr LLP (Davis Farr), reviewed \$44,178,267 in costs charged to the contract from August 28, 2017, through April 30, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Tetra Tech's internal controls related to the contract; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Tetra Tech has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Tetra Tech'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. SIGAR's review disclosed no instances wherein Davis Farr did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

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State's Justice Sector Support Program–Afghanistan: Audit of Costs Incurred by Tetra Tech Inc.

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### WHAT SIGAR FOUND

Davis Farr identified one deficiency in Tetra Tech's internal controls, and one instance of noncompliance with the terms of the award. Specifically, the auditors found that Tetra Tech charged an incorrect labor rate in 4 of 287 labor transactions tested.

Because of the deficiency in internal controls and the instance of noncompliance, Davis Farr identified \$4,262 in total questioned costs, consisting entirely of ineligible costs—costs prohibited by the task order and applicable laws and regulations. Davis Farr did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Labor	\$4,231	\$0	\$4,231
Indirect Costs	\$31	\$0	\$31
Total Costs	\$4,262	\$0	\$4,262

Davis Farr identified 17 prior audit reports that were relevant to Tetra Tech's contract. The reports had twelve findings that could have a material effect on the SPFS. The auditors conducted follow-up procedures and concluded that Tetra Tech took adequate corrective action on all twelve of the findings.

Davis Farr issued an unmodified opinion on Tetra Tech's SPFS, noting 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 State:

1. Determine the allowability of and recover, as appropriate, \$4,262 in questioned costs identified in the report.
2. Advise Tetra Tech to address the report's one internal control finding.
3. Advise Tetra Tech to address the report's one noncompliance finding.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

November 7, 2022

The Honorable Antony J. Blinken  
Secretary of State, U.S. Department of State

Mr. Todd D. Robinson  
Assistant Secretary, Bureau of International Narcotics  
and Law Enforcement Affairs

We contracted with Davis Farr LLP (Davis Farr) to audit the costs incurred by Tetra Tech Inc. (Tetra Tech) under a contract from the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs (State). The contract supported State's Justice Sector Support Program–Afghanistan.<sup>1</sup> The program's objective was to bolster the Afghan justice system's capacity to administer justice in a sustainable, Afghan-led manner, with the goal of ensuring self-sufficiency. Davis Farr reviewed \$44,178,267 in costs charged to the contract from August 28, 2017, through April 30, 2021. 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 State:

- 1. Determine the allowability of and recover, as appropriate, \$4,262 in questioned costs identified in the report.**
- 2. Advise Tetra tech to address the report's one internal control finding.**
- 3. Advise Tetra Tech to address the report's one noncompliance finding.**

Davis Farr discusses the results of the audit in detail in the attached report. We reviewed Davis's Farr's report and related documentation. We also inquired about Davis Farr's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Tetra Tech's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Davis Farr is responsible for the attached auditor's report, dated July 7, 2022, and the conclusions expressed therein. However, our review disclosed no instances where Davis Farr did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for completion for the recommendations 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-231)

<sup>1</sup> The contract number is SAQMMA17F1220.

TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMMA17F1220 Awarded by the Department of State  
to support the Justice Sector Support Program (JSSP) – Afghanistan

For the period August 28, 2017 through April 30, 2021

# TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

For the period August 28, 2017 through April 30, 2021

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July 25, 2022

Enclosed is the final report on the financial audit of costs incurred by Tetra Tech, Inc. (Tetra Tech) under the U.S. Department of State, Bureau of International Narcotics and Law Enforcement Task Order No. SAQMMA17F1220 to support the Justice Sector Support Program (JSSP) – Afghanistan. The audit covers the period August 28, 2017 through April 30, 2021.

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 Tetra Tech, the Special Inspector General for Afghanistan Reconstruction and the U.S. Department of State. Management of Tetra Tech has prepared a response to the finding identified during our audit and that response is included as part of this report. The response has not been audited and we express no opinion on it.

Sincerely,

DAVIS FARR LLP



Marcus D. Davis, CPA  
Partner

# TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

For the period August 28, 2017 through April 30, 2021

## Background

On August 28, 2017, the United States Department of State (DOS), Bureau of International Narcotics and Law Enforcement (INL) awarded Task Order No. SAQMMA17F1220 (Task Order) to Tetra Tech, Inc. (Tetra Tech) to support the Justice Sector Support Program (JSSP) – Afghanistan. The main objective of JSSP was **to bolster the Afghan justice system’s capacity to administer justice in a sustainable, Afghan-led manner**. The main goal was to ensure self-sufficiency by emphasizing a **functioning justice system and plan for JSSP’s post-transition realities**. Additionally, JSSP supported the Criminal Law Reform Working Group (CLRWG) and Case Management System (CMS), while transitioning the program to a combination of Afghan government, civil society, and/or other actors.

## Summary of Task Order

Award type:	Hybrid firm fixed price and time and materials
Original award amount:	\$116,494,908, consisting of \$3,619,292 in firm fixed price and \$112,875,616 in time and materials
Original period of performance:	August 28, 2017 through August 27, 2022, with option to extend to January 27, 2023
Amended award amount:	\$110,791,000, consisting of \$3,619,292 in firm fixed price and \$107,171,708 in time and materials
Amended period of performance:	August 28, 2017 through August 27, 2022, with option to extend to January 27, 2023

The Task Order was modified 37 times through April 22, 2021 as follows:

<u>Mod No.</u>	<u>Date</u>	<u>Purpose of Modification</u>
1	9/14/17	Incorporated a requirement for material support for training and conferences
2	11/17/17	Reduced total award by \$0.50
3	1/18/18	Added requirement for High Threat Security Overseas Seminar for contractors course as required training
4	2/28/18	Increased total funded amount by \$2,781,721 and realigned the budget
5	3/20/18	Approved consent to subcontract to Afghan Holdings Group (AHG)
6	4/29/18	Incorporate a deliverable requesting a mini-proposal breakout of any student training, events and conferences
7	4/25/18	Change Contracting Officer
8	6/21/18	Exercise Option Year 1 with funding
9	9/14/18	Return all available base year funds back to the bulk, reduce total award by \$3,525,719
10	1/2/19	Incorporate labor category changes
11	2/4/19	Realign the budget, reduce total award by \$159,811

TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
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For the period August 28, 2017 through April 30, 2021

<u>Mod No.</u>	<u>Date</u>	<u>Purpose of Modification</u>
12	5/31/19	Realign/exchange funds
13	7/16/19	Provide incremental funding for Option Year 2
14	8/23/19	Added clause related to medical requirements for contractor personnel deploying to Afghanistan
15	8/26/19	Provide incremental funding
16	8/26/19	Revise Contract Line Item Number (CLIN) values in the Global Financial Management System (GFMS), reduce total award by \$1,206,722
17	9/24/19	Provide a revised Statement of Work (SOW) to support descoping of contractual requirements, and insert a mandatory clause for Risk Analysis and Management (RAM) vetting, and reduced total award by \$6,148
18	10/29/19	Add funding for CLIN 102
19	11/8/19	Add funding to CLIN 102 to pay trailing invoices
20	12/4/19	Add funding to CLIN 201
21	12/19/19	Deobligate funds and replacement funding for CLINs 201, 202 and 203
22	2/21/20	Add funds to CLIN 102, increase total award by \$99,208
23	3/9/20	Adjust CLIN values and include funding, total award reduced by \$88,867
24	3/21/20	Deobligate available funds from base year, total award reduced by \$815,847
25	3/25/20	Provide incremental funding for CLIN 202 due to a formula error
26	4/14/20	Provide Continental United States (CONUS) bill rates for contractors who have transferred to U.S. to work remotely during COVID-19
27	5/21/20	Provide incremental funding
28	7/3/20	Provide incremental funding and exercise Option Year 3
29	9/9/20	Administrative change to SOW
30	9/24/20	Administrative mod
31	9/23/20	Change in Contracting Officer Representative (COR)
32	11/23/20	Realign funds and add incremental funding
33	3/4/21	Deobligate canceling funds from base year
34	3/18/21	Realignment of funds
35	4/2/21	Realign funds and add office expansion plan
36	4/19/21	Add funding
37	4/22/21	Add funding

Tetra Tech is a for-profit consulting and engineering services firm that supports U.S. government and private sector clients. It began operating in 1966 and has 450 offices worldwide. Tetra Tech is organized into two major business groups: the Government Services Group and the Commercial/International Services Group.



# TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

For the period August 28, 2017 through April 30, 2021

## Work Performed

Davis Farr LLP (Davis Farr) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct an audit of Tetra Tech's **Special Purpose Financial Statement (SPFS)** for the Task Order for the period August 28, 2017 through April 30, 2021. Total costs reported by Tetra Tech were \$44,178,267.

## Objectives, Scope, and Methodology

### Objectives Defined by SIGAR

The objectives of the audit include the following:

- *Special Purpose Financial Statement (SPFS)* – Express an opinion on whether Tetra Tech's SPFS for the Task Order 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 Task Order and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain a sufficient understanding of Tetra Tech'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 Tetra Tech 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 Task Order 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 Tetra Tech 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

The scope of this audit included \$44,178,267 of actual costs incurred for the period August 28, 2017 through April 30, 2021. The period of performance of the Task Order is not yet complete. Our testing of the General Services Administration (GSA) One Acquisition Solution for Integrated Services (OASIS) fee was limited to verifying that the GSA OASIS fee was calculated using the stated GSA OASIS fee rate as outlined in the Task Order.

### Methodology

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

# TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

For the period August 28, 2017 through April 30, 2021

## Entrance Conference

An entrance conference was held via conference call on October 18, 2021. Participants included representatives of Davis Farr, Tetra Tech, SIGAR and DOS INL.

## Planning

During our planning phase, we performed the following:

- Obtained an understanding of Tetra Tech;
- Reviewed the Task Order and all modifications to date;
- Reviewed sections of the Code of Federal Regulations, including 48 CFR Parts 31 and 52, as well as the Department of State Acquisition Regulation (DOSAR), as applicable to the Task Order;
- 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 appeared to contain unallowable and restricted items according to the terms of the Task Order, 48 CFR Part 31 and any other applicable regulations, we sampled 100% of the transactions.
  - For high risk cost categories, we sampled transactions greater than \$220,800, and additional transactions below \$220,800 to ensure that at least 50% of the total amount expended for each cost category was sampled.
  - For moderate risk categories, we sampled transactions greater than \$441,600, and additional transactions below \$441,600 to ensure that at least 20% of the total amount expended for each cost category was sampled.
  - Low risk categories consisted of mobilization, Project Management Office (PMO) and General Services Administration (GSA) contract fee. Mobilization and the PMO costs are fixed price. As such no sample was selected. We tested to ensure the cost invoiced did not exceed the budget. Additionally, no sample was selected for the GSA OASIS fee as we tested the proper application of the fee.

## TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 awarded by the Department of State  
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For the period August 28, 2017 through April 30, 2021

### Internal Control Related to the SPFS

We reviewed Tetra Tech'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 Tetra Tech 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.

### Corrective Action on Prior Findings and Recommendations

We reached out to SIGAR, Tetra Tech and DOS INL 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 May 9, 2022 via conference call. Participants included representatives from Davis Farr, Tetra Tech, SIGAR and DOS INL. 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.

# TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

For the period August 28, 2017 through April 30, 2021

## **Summary of Results**

Our audit of the costs incurred by Tetra Tech under the Task Order identified the following matters. Findings are classified as either 1) internal control, 2) noncompliance, or 3) 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 but did identify \$4,262 of questioned costs all of which are ineligible costs. A summary of findings and questioned costs is described in the next section.

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

<b>Finding Number</b>	<b>Nature of Finding</b>	<b>Issue</b>	<b>Questioned Costs</b>	<b>Total Cumulative Questioned Costs</b>
2021-01	Internal control – deficiency Non-compliance	Incorrect labor rates	\$4,262	\$4,262

## **Internal Control Findings**

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered Tetra Tech’s internal control over financial reporting and performed tests of those controls. The results of our tests disclosed one internal control weakness required to be reported under *Government Auditing Standards*. See Independent Auditor’s Report on Internal Control on page 14.

## **Compliance Findings**

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of Tetra Tech’s 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 16.

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.

## TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

For the period August 28, 2017 through April 30, 2021

### Review of Prior Findings and Recommendations

We requested from Tetra Tech, SIGAR and DOS INL copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to Tetra Tech's activities under the Task Order. We identified 17 prior audit reports, which consisted of six annual financial audits, ten SIGAR financial audits, and one accounting system audit. Of these 17 reports, eight reports contained no findings, four reports had prior findings that were reviewed by other auditors that determined the corrective actions were adequate, and five reports contained findings that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We performed follow-up procedures, tested transactions, and reviewed documentation to determine if these issues occurred under our audit. Accordingly, we have concluded that Tetra Tech has taken adequate corrective actions on all prior findings. See the Status of Prior Findings on page 22 for a detailed description of the prior findings and recommendations.

### **Summary of Tetra Tech's Responses**

The following represents a summary of the response provided by Tetra Tech to the finding identified in this report. The complete response received can be found in Appendix A to this report.

Finding 2022-01 – Tetra Tech agreed with the finding and recommendation to refund a portion of the ineligible costs for two of the four transactions preparing a credit for the overbilling of sample L-03.5 and seeking remediation for the underbilling of sample L-03.6. Tetra Tech disagreed with a portion of this finding indicating that two of the four transactions were processed using an incorrect labor rate and rather represented a misunderstanding of the hours worked for the pay period.

### 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, Inc.  
3475 E. Foothill Boulevard  
Pasadena, California 91107-6024

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, Inc. (Tetra Tech) under Task Order No. SAQMMA17F1220 with the U.S. Department of State (DOS) Bureau of International Narcotics and Law Enforcement (INL) for the Justice Sector Support Program (JSSP) – Afghanistan for the period August 28, 2017 through April 30, 2021, 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 such opinion. An audit also includes evaluating the appropriateness of accounting policies

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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 Tetra Tech under the Task Order for the period August 28, 2017 through April 30, 2021 in accordance with the basis of accounting described in Note 2.

### *Restriction on Use*

This report is intended for the information of Tetra Tech, DOS INL, 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 July 7, 2022 on our consideration of Tetra Tech'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 purpose of those reports is solely 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 Tetra Tech's internal control over financial reporting and compliance.



Irvine, California  
July 7, 2022

TETRA TECH, INC.

Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220  
Justice Sector Support Program (JSSP) - Afghanistan

For the Period August 28, 2017 through April 30, 2021

	Budget	Expenditures	Questioned Costs			Notes
			Ineligible	Unsupported	Total	
Revenues:						
SAQMMA17F1220	\$ 79,688,938	\$ 41,851,436	\$ -	\$ -	\$ -	(3)
Total revenues	79,688,938	41,851,436	-	-	-	
Costs incurred:						
001 Mobilation - fixed price	103,715	103,715	-	-	-	
002 Project Management						
Office (PMO) - fixed price	1,098,870	1,098,870	-	-	-	
003 Labor	7,186,590	5,236,168	-	-	-	
004 Training, travel and other direct costs (ODCs)	8,651,140	2,381,213	-	-	-	
005 General Services						
Administration (GSA) One Acquisition Solution for Integrated Services (OASIS) fee	162,442	66,150	-	-	-	(4)
101 PMO - fixed price	993,184	993,184	-	-	-	
102 Labor	10,598,474	6,919,061	5,124	-	5,124	(A)
103 ODCs	8,953,713	3,108,136	-	-	-	
104 GSA OASIS fee	152,901	82,652	38	-	38	(4),(B)
201 PMO	2,361,707	2,361,707	-	-	-	
202 Labor	10,292,903	7,787,936	(893)	-	(893)	(A)
203 ODCs	7,617,138	4,626,465	-	-	-	
204 GSA OASIS fee	152,038	110,820	(7)	-	(7)	(4),(B)
301 PMO	2,363,634	1,575,756	-	-	-	
302 Labor	10,681,594	5,670,112	-	-	-	
303 ODCs	8,159,857	1,987,075	-	-	-	
304 GSA OASIS fee	159,038	69,247	-	-	-	(4)
Total costs incurred	79,688,938	44,178,267	4,262	-	4,262	
Outstanding fund balance	\$ -	\$ (2,326,831)	\$ (4,262)	\$ -	\$ (4,262)	(5),(C)

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



# TETRA TECH, INC.

## Audit of Special Purpose Financial Statement For Task Order No. SAQMMA17F1220 Awarded by the Department of State to support the Justice Sector Support Program – Afghanistan

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

For the period August 28, 2017 through April 30, 2021

#### (1) Background

On August 28, 2017, the United States Department of State (DOS), Bureau of International Narcotics and Law Enforcement (INL) awarded Task Order No. SAQMMA17F1220 (Task Order) to Tetra Tech, Inc. (Tetra Tech) to support the Justice Sector Support Program (JSSP) – Afghanistan. The main objective of JSSP was **to bolster the Afghan justice system’s capacity** to administer justice in a sustainable, Afghan-led manner. The main goal was to ensure self-sufficiency by emphasizing a **functioning justice system and plan for JSSP’s post-transition** realities. Additionally, JSSP supported the Criminal Law Reform Working Group (CLRWG) and Case Management System (CMS), while transitioning the program to a combination of Afghan government, civil society, and/or other actors.

The initial awarded amount was \$116,494,908, consisting of \$3,619,292 in firm fixed price and \$112,875,616 in time and materials, for the period of performance from August 28, 2017, through August 27, 2022 with an option to extend to January 27, 2023. After 37 modifications to the Task Order, the total awarded amount decreased to \$110,791,000, consisting of \$3,619,292 in firm fixed price and \$107,171,708 in time and materials. There was no change in the period of performance.

Tetra Tech is a for-profit consulting and engineering services firm that supports U.S. government and private sector clients. It began operating in 1966 and has 450 offices worldwide. Tetra Tech is organized into two major business groups: the Government Services Group and the Commercial/International Services Group.

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

##### Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred for the JSSP – Afghanistan for the period August 28, 2017 through April 30, 2021. Because the SPFS presents only a selected portion of the operations of Tetra Tech, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Tetra Tech. 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.

##### Basis of Accounting

Revenues and expenses on the SPFS are reported on the cash basis of accounting. Revenues are recognized when received. Expenses are recognized when paid and follow the cost principles contained in 48 CFR Part 31, wherein certain types of expenses are not allowable or are limited as to reimbursement.

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

TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 Awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

Notes to Special Purpose Financial Statement

(Continued)

(2) Summary of Significant Accounting Policies

Currency

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

(3) Revenue

Tetra Tech reported revenue of \$41,851,436 for the period August 28, 2017 through April 30, 2021.

(4) General Services Administration (GSA) One Acquisition Solution for Integrated Services (OASIS) Fee

**Tetra Tech's GSA OASIS fee is set by GSA and equal to 0.75% of costs** incurred for the related Contract Line Item Numbers (CLINs) for each funding year. The total costs for the first funding year include CLINs 001 through 004. The total costs for these CLINs multiplied by the GSA OASIS fee of 0.75% is equal to the amount reported for the GSA OASIS fee for CLIN 005. This same calculation is used for each funding year.

(5) Outstanding Fund Balance

As of April 30, 2021, Tetra Tech reported an outstanding fund balance of \$(2,326,831), which represents costs incurred which have not yet been invoiced.

(6) Subsequent Events

Tetra Tech has evaluated subsequent events through July 7, 2022, 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, INC.

## Audit of Special Purpose Financial Statement For Task Order No. SAQMMA17F1220 Awarded by the Department of State to support the Justice Sector Support Program – Afghanistan

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

For the period August 28, 2017 through April 30, 2021

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) Labor

Tetra Tech reported Labor costs for CLINs 102 and 202 in the amounts of \$6,919,061 and \$7,787,936, respectively, for the period August 28, 2017 through April 30, 2021. During our audit of these costs, we identified \$5,124 and \$(893) in questioned costs (ineligible) for CLINS 102 and 202, respectively, for actual pay rates that did not agree with authorized pay rates. See Finding No. 2021-01.

#### (B) General Services Administration (GSA) One Acquisition Solution for Integrated Services (OASIS) Fee

Tetra Tech reported GSA OASIS Fees for CLINs 104 and 204 in the amounts of \$82,652 and \$110,820, respectively, for the period August 28, 2017 through April 30, 2021. The GSA OASIS Fee described in Note 4 of the Notes to Special Purpose Financial Statement were applied to the associated questioned costs identified in Note A, which resulted in questioned (ineligible) GSA OASIS Fee of \$31.

#### (C) Outstanding Fund Balance

Tetra Tech reported an outstanding fund balance of \$(2,326,831) for the period August 28, 2017 through April 30, 2021. The total outstanding fund balance as of April 30, 2021 in the amount of \$(4,255) represents the total questioned ineligible costs of \$4,255 of the reported outstanding fund balance.

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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.

**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, Inc.  
3475 E. Foothill Boulevard  
Pasadena, California 91107-6024

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, Inc. (Tetra Tech) Task Order No. SAQMMA17F1220 with the U.S. Department of State (DOS) Bureau of International Narcotics and Law Enforcement (INL) for the Justice Sector Support Program (JSSP) – Afghanistan for the period August 28, 2017 through April 30, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated July 7, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the Special Purpose Financial Statement, we considered Tetra Tech's internal control over financial reporting (internal control) as a basis for designing 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 Tetra Tech's internal control. Accordingly, we do not express an opinion on the effectiveness of Tetra Tech'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 identified one deficiency in internal control, described in the accompanying Detailed Audit Findings as Finding Number 2021-01 that we consider to be a control deficiency.

### **Tetra Tech's Response to Findings**

Tetra Tech's response to the findings identified in our audit is included verbatim in Appendix A. Tetra Tech'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 Tetra Tech, DOS INL, 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.

*Darin Fennell*

Irvine, California  
July 7, 2022

**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, Inc.  
3475 E. Foothill Boulevard  
Pasadena, California 91107-6024

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, Inc. (Tetra Tech) Task Order No. SAQMMA17F1220 with the U.S. Department of State (DOS) Bureau of International Narcotics and Law Enforcement (INL) for the Justice Sector Support Program (JSSP) – Afghanistan for the period August 28, 2017 through April 30, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated July 7, 2022.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tetra Tech'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 2021-01.

**Tetra Tech's Response to Findings**

Tetra Tech's response to the findings identified in our audit is included verbatim in Appendix A. Tetra Tech'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.

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### 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** compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of Tetra Tech, DOS, 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.



Irvine, California  
July 7, 2022

TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
 For Task Order No. SAQMMA17F1220 Awarded by the Department of State  
 to support the Justice Sector Support Program – Afghanistan

Detailed Audit Findings

For the period August 28, 2017 through April 30, 2021

Finding 2021-001: Incorrect Labor Rates

Nature of Finding:  
 Internal control – deficiency  
 Non-compliance

Condition:

Of the 287 labor transactions tested, totaling \$1,535,118, four transactions were processed using an incorrect loaded labor rate resulting in an overpayment of labor costs in the amount of \$4,231 as follows:

<u>Sample No.</u>	<u>Period</u>	<u>Reported Labor</u>	<u>Audited Labor</u>	<u>Overreported/ (Underreported)</u>
CLIN 102:				
L-01.2	8/28/18 – 9/27/18	\$31,257	\$28,550	\$2,707
L-12.2	8/28/18 – 9/27/18	<u>24,164</u>	<u>21,747</u>	<u>2,417</u>
Total CLIN 102		55,421	50,297	5,124
CLIN 202:				
L-03.5	12/16/19 – 12/21/19	6,246	6,042	204
L-03.6	8/28/19 – 9/23/19	<u>22,424</u>	<u>23,521</u>	<u>(1,097)</u>
Total CLIN 202		<u>28,670</u>	<u>29,563</u>	<u>(893)</u>
Totals		<u>\$84,091</u>	<u>\$79,860</u>	<u>\$4,231</u>

Cause:

For samples L-01.2 and L-03.6, Tetra Tech processed the pay at an incorrect rate due to a clerical error. For sample L-03.5, the employee received pay at two different rates during the period, and the hours split between the two different rates was incorrect due to a clerical error. For sample L-12.2, the entire period was billed at the Option Year 1 rate when a portion of the pay should have been calculated using the Base Year rate due to a clerical error. Additionally, for each of the four transactions, there was a lack of adequate management review over the payroll process.



TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 Awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

Detailed Audit Findings

(Continued)

Criteria:

48 CFR 16.601(a), *Definitions for the purposes of Time-and-Materials Contracts*, states, in part:

**“Hourly rate means the rate(s) prescribed in the contract for payment for labor that meets the labor category qualifications of a labor category specified in the contract...”**

Section 2.2.1.1, *Fixed Fully-Loaded Hourly Labor Rates*, of Task Order No SAQMMA17F1220 states, in part:

**“a) The negotiated fully-loaded hourly rates are identified in Attachment 4 of this Task Order Award...”**

h) The following describes the normal workweek for Contractor and subcontractor employees:

- **A normal workweek falls within a consecutive seven-day period.**
- **The negotiated fixed fully-loaded hourly labor rates apply to a normal workweek...**

i) **The Government will pay the negotiated fixed fully-loaded hourly labor rate...”**

Effect:

Inadequate controls over the calculation of payroll resulted in the U.S. Government paying for ineligible costs.

Questioned Costs:

Total ineligible costs resulting from the incorrect calculation of payroll were \$4,262, including associated GSA OASIS fee of \$31 as follows:

<u>Cost Category</u>	<u>Questioned Costs – Ineligible</u>	<u>Associated Questioned GSA OASIS Fee</u>	<u>Total Questioned Costs - Ineligible</u>
102 Labor	\$5,124	\$38	\$5,162
202 Labor	<u>(893)</u>	<u>(7)</u>	<u>(900)</u>
Totals	<u>\$4,231</u>	<u>\$31</u>	<u>\$4,262</u>

Recommendation:

- (1) We recommend that Tetra Tech either provide evidence that the labor costs were correctly calculated or return \$4,262 to the U.S. Government.
- (2) We recommend that Tetra Tech establish procedures to require a more exhaustive management review of its payroll prior to finalization.

## TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 Awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

### Status of Prior Audit Findings

For the period August 28, 2017 through April 30, 2021

We requested from Tetra Tech, SIGAR and DOS INL copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to Tetra Tech's activities under the Task Order. We reviewed 17 prior audit reports, which consisted of six annual financial audits and ten SIGAR financial audits, and one accounting system audit. Of these 17 reports, eight reports contained no findings, four reports had prior findings that were reviewed by other auditors that determined the corrective actions were adequate, and five reports contained 12 findings that could affect the SPFS. 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. Accordingly, we have concluded that Tetra Tech has taken adequate corrective actions on all 12 prior findings and these findings were not repeated under this audit. The summary of prior audit findings that could have a potential material effect on the SPFS are listed below:

Audit Report: SIGAR 14-76 Financial Audit "[United States Agency for International Development's] USAID's Afghanistan Rule of Law Stabilization Program – Formal Component: **Audit of Costs Incurred by Tetra Tech DPK**" for the period May 19, 2010 through July 15, 2012, which was conducted by Crowe Horwath LLP on behalf of SIGAR, and issued by SIGAR on July 7, 2014

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 2014-01: Subcontractor Negotiated Indirect Cost Rate Agreement (NICRA) Adjustments and Intercompany Invoice Reviews* – The audit firm noted that there was no true-up of costs to align with the various provisional rates that were in effect for its **subcontractor throughout the project's period of performance.**

*Status:* While there was no actual NICRA included as part of the Task Order under audit, we reviewed the GSA OASIS rate to ensure it was applied in accordance with the approved rate throughout the period of performance without exception. As such, the corrective action has been adequately implemented.

- *Finding 2014-02: Vendor Certifications and Excluded Parties List System (EPLS) Searches* – The audit firm noted that Tetra Tech did not obtain required certifications as to suspension and debarment status.

*Status:* We tested 172 non-payroll transactions and noted no exceptions related to certifications as to suspension and debarment status. As such, the corrective action has been adequately implemented.

# TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 Awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

## Status of Prior Audit Findings

(Continued)

Audit Report: SIGAR 14-91 Financial Audit **"USAID's** Local Governance and Community Development Project in Northern and Western Regions of Afghanistan: Audit of Costs Incurred by ARD, Inc." **for the period** October 6, 2006 through October 8, 2009, which was conducted by Crowe Horwath LLP on behalf of SIGAR, and issued by SIGAR on October 25, 2014

This audit report contained eight findings, seven 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 2014-01: Property Management: Contracting Officer Approvals and Inventory Management* – The audit firm noted that ARD could not produce documentation demonstrating that the USAID Contracting Officer approved nonexpendable equipment purchases. Additionally, ARD included items on its inventory list that were not procured with award funds.

*Status:* Tetra Tech provided an inventory listing for the JSSP that contained all required tracking information. As such, the corrective action has been adequately implemented.

- *Finding 2014-02: Procurement: Sole Source Procurements and Unreasonable Costs Incurred* – The audit firm noted that ARD did not have adequate documentation for sole source purchases.

*Status:* We tested 172 non-payroll transactions and noted no exceptions related to procurement of goods and services. As such, the corrective action has been adequately implemented.

- *Finding 2014-03: Allowable Costs: NICRA Adjustments After Contract Settlement* – The audit firm noted that ARD did not submit a voucher containing indirect cost adjustments.

*Status:* While there was no actual NICRA included as part of the Task Order under audit, we reviewed the GSA OASIS rate to ensure it was applied in accordance with the approved rate throughout the period of performance without exception. As such, the corrective action has been adequately implemented.

- *Finding 2014-04: Grants Under Contract: Monitoring Grantees* – The audit firm noted that ARD did not monitor its grantees to ensure that costs were incurred as required by the agreements.

*Status:* We reviewed 93 subcontractor transactions and noted that Tetra Tech adequately monitored the subcontractors as there were no exceptions noted with subcontractor costs. As such, the corrective action has been adequately implemented.

- *Finding 2014-06: Reporting: Late Submissions and Incomplete Reports* – The audit firm noted that ARD did not consistently submit complete reports and reports on time.

TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 Awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

Status of Prior Audit Findings

(Continued)

*Status:* Tetra Tech submitted all required reports completely and as required by the Task Order. As such, the corrective action has been adequately implemented.

- *Finding 2014-07: Grants Under Contract: Grantee Communications and Records Retention* – The audit firm noted that the recipient or ARD did not consistently sign grant documents.

*Status:* We reviewed 5 major subcontractors and noted all documents were signed and retained. As such, the corrective action has been adequately implemented.

- *Finding 2015-08: Internal Controls: Employee and Contractor File Contents* – The audit firm noted that personnel files were not complete.

*Status:* We tested 287 payroll transactions and all personnel documented was complete. As such, the corrective action has been adequately implemented.

**Performance Audit Report: "USAID's Report on the Performance Audit over the Adequacy of the Accounting System for DPK Consulting," for the period March 2018 to June 2018, which was conducted by Kearney & Company on behalf of USAID and issued on August 21, 2018**

This performance audit report contained one finding that 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: Forecasted Timekeeping (Control Deficiency)* – The audit firm noted that DPK required employees to forecast their time for Friday in order to release their time during the morning hours on Friday.

*Status:* We tested 287 payroll transactions and noted that all time was recorded at actual hours worked. As such, the corrective action has been adequately implemented.

**Audit Report: SIGAR 21-23 Financial Audit "USAID's Initiative to Strengthen Local Administrations (ISLA) in Afghanistan: Audit of Costs Incurred by Tetra Tech ARD Inc." for the period October 18, 2018 through January 31, 2020, which was conducted by Crowe LLP on behalf of SIGAR, and issued by SIGAR on March 8, 2021**

This audit report contained one finding that 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 2020-01: Cost of Stolen Property Not Allocable to the ISLA Contract* – The audit firm noted that one piece of government property was stolen and should not have been allocated to the project.

TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 Awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

Status of Prior Audit Findings

(Continued)

*Status:* Tetra Tech provided an inventory listing for the JSSP that contained all required tracking information. As such, the corrective action has been adequately implemented.

Audit Report: SIGAR 21-19 Financial Audit **“USAID’s Women’s Leadership Development Program in Afghanistan: Audit of Costs Incurred by Tetra Tech ARD Inc.” for the period October 1, 2018 through October 22, 2019, which was conducted by Davis Farr LLP on behalf of SIGAR, and issued by SIGAR on February 22, 2021**

This audit report contained one finding that 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 2020-01: Costs Incurred Outside of SPFS Period* – The audit firm noted that costs were include on the SPFS that were applicable to periods outside of that covered by the SPFS.

*Status:* We tested 459 transactions and noted that no transactions were incurred outside of the SPFS period. As such, the corrective action has been adequately implemented.



June 28, 2022

Davis Farr LLP  
18201 Von Karman Avenue, Suite 1100  
Irvine, CA 92612

**Subject: Tetra Tech, Inc. Response to Davis Farr LLP's Draft Report on the Audit of Special Purpose Financial Statement (August 28, 2017 – April 30, 2021) Issued on June 15, 2022 for the Justice Sector Support Program (JSSP) Afghanistan, Contract No. GS00Q14OADU138, Task Order No. SAQMMA17F1220**

Dear Davis Farr LLP Auditors,

We would like to thank you for sending us the draft audit report on the Special Purpose Financial Statement for the period August 28, 2017, through April 30, 2021. Following is our response to the findings in the report. I hope this information is helpful and assists in resolving these issues.

We have appreciated your feedback and the opportunity to facilitate this SIGAR audit with your professional staff.

Regards,

A handwritten signature in black ink that reads 'Tammy Lovlie'.

Tammy Lovlie  
Director of Finance and Administration



**Finding 2021-001 – Incorrect Labor Rates:** of 287 labor transactions tested, totaling \$1,535,118, four transactions were processed using an incorrect loaded labor rate resulting in an overpayment of labor costs in the amount of \$4,262.

Sample selection L-01.2 amounted to \$2,707.23 of the reported overbilling. We respectfully disagree with this finding. We believe this was a misinterpretation of the hours worked by [REDACTED] during the period of August 25 – September 27, 2018. Based upon the backup provided, the auditors incorrectly assumed [REDACTED] did not work during August 25 – August 27, 2018. Their calculation deducts 30 hours (10%) from this 300-hour month. [REDACTED] did work 300 hours during this period and therefore the auditors’ calculated overbilling of \$2,707.23 was correctly billed. See below for a system generated report of [REDACTED] hours billed for this 3 day/30-hour period.

Recent Timecards: [REDACTED]  
 Review: [REDACTED]

Week Starting: Saturday, August 18, 2018  
 Week Ending Date: Friday, August 31, 2018  
 Timecard Period (days): 7  
 Overriding Approval:  
 Comments: Change to OVI task # 1 IP 18 25 16

Project	Project Name	Task	Type	Sat, Aug 25	Sun, Aug 26	Mon, Aug 27	Tue, Aug 28	Wed, Aug 29	Thu, Aug 30	Fri, Aug 31	Total	Labor Code	Sp. Pay Code	HS S and Quality
188-DPK-138 05	AF 138 05 - Afghanistan JSSP	00302	Regular	10							10	188-Mezaganil		
188-DPK-138 05	AF 138 05 - Afghanistan JSSP	00302	Regular		10	10	0	0	0		20	188-Mezaganil	D38P35	
188-DPK-138 05	AF 138 05 - Afghanistan JSSP	10202	Regular				10	10	10		30		D38P35	
				10	10	10	10	10	10	0	60			

Audit Summary

Sample selection L-03.5 amounted to \$203.78 of the reported overbilling. We are in agreement with this finding and have prepared a credit for \$203.78. We will await instructions on how to submit this correction.

Sample selection L-03.6 amounted to underbilling of (\$1,097.15). We are in agreement with this finding and will prepare an invoice for this amount which related to using the incorrect rate of \$129.17/hour instead of the correct rate of \$135.49/hour. We will await instructions on how to submit this correction.

Sample selection L-12.2 amounted to \$2,416.37 of the reported overbilling. We respectfully disagree with this finding. We believe this was a misinterpretation of the hours worked by [REDACTED] during the period of August 25 – September 27, 2018. Based upon the backup provided, the auditors incorrectly assumed [REDACTED] did not work during August 25 – August 27, 2018. Their calculation deducts 30 hours (10%) from this 300-hour month. [REDACTED] did work 300 hours during this period and therefore the auditors’ calculated overbilling of \$2,416.37 was correctly billed. See attached for a system generated timecard of [REDACTED] hours billed for this 3 day/30-hour period.

## TETRA TECH, INC.

Audit of Special Purpose Financial Statement  
For Task Order No. SAQMMA17F1220 Awarded by the Department of State  
to support the Justice Sector Support Program – Afghanistan

**Auditor’s Rebuttal to Tetra Tech’s Response to Finding**

For the period August 28, 2017 through April 30, 2021

Tetra Tech **disagreed with a portion of the finding. We have reviewed management’s response for its disagreement and provide the following rebuttals.**

**Finding 2021-001: Incorrect Labor Rates**

Tetra Tech disagreed with the exception for sample number L-01.2. Tetra Tech indicated in its response that the variance associated with this sample stems from a misunderstanding of the hours worked by [REDACTED]. Per the response, [REDACTED] worked 300 from the dates of August 25, 2018 through September 27, 2018. However, all supporting documentation provided to our **auditors prior to management’s response indicated working dates of August 28, 2018 through September 27, 2018** for a total of 270 hours. Additionally, as noted in our finding Tetra Tech did use the incorrect billing rate of \$134.44, instead of the appropriate billing rate of \$136.44 for this pay period. As such, this portion of the exception remains unchanged.

Tetra Tech disagreed with the exception for sample number L-12.2. Tetra Tech indicated in its response that the variance associated with this sample stems from a misunderstanding of the hours worked by [REDACTED]. Per the response, [REDACTED] worked 300 hours in the pay period in question, from the dates of August 25, 2018 through September 27, 2018. While approved timesheet support included the dates of August 25, 2018 through August 27, 2018, the invoice support and general ledger detail provided indicated that the pay-period for these dates was August 28, 2018 through September 27, 2018, for a total of 270 hours. As such, this portion of the exception remains unchanged.



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- prevent fraud, waste, and abuse; and
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## SIGAR's Mission

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