

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 16-08 Financial Audit**

USAID's Stability in Key Areas South  
Program: Audit of Costs Incurred by AECOM  
International Development, Inc.



DECEMBER  
2015

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

In 2012 and 2013, the U.S. Agency for International Development (USAID) awarded two contracts to AECOM International Development, Inc. (AECOM) to implement the Stability in Key Areas (SIKA) South program. The primary goal of the program was to promote stabilization in the southern region of Afghanistan by increasing the provision of basic services and implementing community-led initiatives in coordination with provincial governments. On April 10, 2012, USAID awarded an 18-month, \$58.7 million contract to AECOM. In May 2013, due to a bid protest, USAID terminated this contract for convenience, and AECOM's SIKA South program operations ceased on July 31, 2013. In total, \$15,936,927 in expenses were charged to the contract. USAID re-competed the contract and on March 4, 2013, awarded a second 18-month contract for \$60.2 million to AECOM. After five modifications, the contract period was extended through March 3, 2015.

SIGAR's financial audit, performed by Williams, Adley and Company-DC, LLP (Williams Adley), reviewed all expenses charged to the first contract, and \$32,690,570 in expenses charged to the second contract from March 4, 2013, through September 3, 2014. The audit objectives were to (1) identify and report on significant deficiencies or material weaknesses in AECOM'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 AECOM has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of AECOM's Special Purpose Financial Statement. See Williams Adley's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, SIGAR is required by auditing standards to review the audit work performed. Accordingly, we oversaw the audit and reviewed its results. Our review disclosed no instances where Williams Adley did not comply, in all material respects, with U.S. generally accepted government auditing standards.

December 2015

## USAID's Stability in Key Areas South Program: Audit of Costs Incurred by AECOM International Development, Inc.

SIGAR 16-08-FA

### WHAT THE AUDIT FOUND

Williams, Adley and Company-DC, LLP (Williams Adley) did not identify any material weaknesses or significant deficiencies in AECOM International Development, Inc.'s (AECOM) internal controls, or instances of noncompliance with the terms and conditions of the Stability in Key Areas South program contracts. As a result, Williams Adley did not identify any questioned costs, which would have included unsupported costs—costs not supported with adequate documentation or that did not have the required prior approval—or ineligible costs—costs prohibited by the contracts, applicable laws, or regulations.

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

Williams Adley obtained and reviewed prior audit reports and other assessments that could have a material impact on the Special Purpose Financial Statement. Williams Adley identified seven audit findings from three prior SIGAR financial audits related to the scope of this audit: (1) SIGAR 15-76-FA, *USAID's Stabilization in Key Areas East Program: Audit of Costs Incurred by AECOM International Development, Inc.*, July 20, 2015; (2) SIGAR 15-75-FA, *USAID's Stabilization in Key Areas West Program: Audit of Costs Incurred by AECOM International Development, Inc.*, July 20, 2015; and (3) SIGAR 14-94-FA, *USAID's Afghanistan Social Outreach Program: Audit of Costs Incurred by AECOM International Development, Inc.*, September 3, 2014. All seven findings from the prior audits concerned document retention. After reviewing and assessing documentation, Williams Adley determined that AECOM had taken adequate corrective actions that addressed these findings.

Williams Adley issued an unmodified opinion on AECOM's Special Purpose Financial Statement, noting that it presents fairly, in all material aspects, revenues received, costs incurred, and the balance for the period audited.

### WHAT SIGAR RECOMMENDS

Williams Adley did not report any findings related to the SIKA South program. Therefore, SIGAR is not making any recommendations.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

December 14, 2015

The Honorable Gayle E. Smith  
Administrator  
U.S. Agency for International Development

Mr. Herbert B. Smith  
USAID Mission Director for Afghanistan

We contracted with Williams, Adley and Company-DC, LLP (Williams Adley) to audit the costs incurred by AECOM International Development, Inc. (AECOM) under two U.S. Agency for International Development (USAID) contracts awarded to implement the Stability in Key Areas (SIKA) South program.<sup>1,2</sup> Williams Adley's audit covered \$15,936,927 in expenditures incurred from April 10, 2012, through July 31, 2013, and \$32,690,570 in expenditures incurred from March 4, 2013, through September 3, 2014. Our contract with Williams Adley required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Williams Adley did not report any findings related to the SIKA South program. Therefore, SIGAR is not making any recommendations.

The results of Williams Adley's audit are further detailed in the attached report. We reviewed Williams Adley's report and related documentation. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on AECOM's Special Purpose Financial Statement. We also express no opinion on the effectiveness of AECOM's internal control or compliance with the contracts, laws, and regulations. Williams Adley is responsible for the attached auditor's report and the conclusions expressed in the report. However, our review disclosed no instances where Williams Adley did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-046)

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<sup>1</sup> USAID awarded contract numbers AID-306-C-12-00005 and AID-306-C-13-00003 to AECOM to implement the SIKA South program, which was intended to promote stabilization in the southern region of Afghanistan by increasing the provision of basic services and implementing community-led initiatives through coordination with provincial governments.

<sup>2</sup> SIGAR has previously reported on the SIKA program (see SIGAR 15-76-FA, *USAID's Stabilization in Key Areas East Program: Audit of Costs Incurred by AECOM International Development, Inc.*, July 20, 2015; SIGAR 15-75-FA, *USAID's Stabilization in Key Areas West Program: Audit of Costs Incurred by AECOM International Development, Inc.*, July 20, 2015; SIGAR 14-94-FA, *USAID's Afghanistan Social Outreach Program: Audit of Costs Incurred by AECOM International Development, Inc.*, September 3, 2014; and SIGAR Audit 13-16, *Stability in Key Areas (SIKA) Program: After 16 Months and \$47 Million Spent, USAID Had Not Met Essential Program Objectives*, July 29, 2013).

**SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN  
RECONSTRUCTION**

**FINANCIAL AUDIT OF COSTS  
INCURRED BY  
AECOM International Development, Inc.**

**Contract:  
AID-306-C-12-00005 and AID-306-C-13-00003  
Stability in Key Areas (SIKA) South**

**For the period of:  
April 10, 2012 to September 3, 2014**

Submitted by



October 30, 2015

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## Table of Contents

Transmittal Letter.....	i
Summary.....	1
Background.....	1
Work Performed.....	2
Objectives.....	2
Scope.....	3
Methodology.....	4
Summary of Results.....	5
Independent Auditors' Report on the Consolidated Special Purpose Financial Statement.....	7
Notes to the Special Purpose Financial Statement.....	10
Independent Auditors' Report on Internal Control.....	12
Independent Auditors' Report on Compliance.....	14
Attachment A – Consolidating Special Purpose Financial Statement.....	16
Attachment B – Management Response.....	17
Attachment C – Prior Audit Reports Recommendations and Current Status.....	18



## Transmittal Letter

October 30, 2015

Leadership Team  
AECOM International Development, Inc.  
Arlington, VA

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

We hereby provide to you our final report, which reflects results from the procedures we completed during the course of our audit of the AECOM International Development, Inc. contract numbers AID-306-C-12-00005 and AID-306-C-13-00003 with the United States Agency for International Development (USAID) for its Stability in Key Areas (SIKA) South program.

Within the pages that follow, we provide a brief summary of the work performed. Following the summary, we provide our Report on the Special Purpose Financial Statement, Report on Internal Control, and Report on Compliance. We do not express an opinion on the summary and any information preceding our reports.

On September 4, 2015, we provided SIGAR a draft report reflecting our audit procedures and results. AECOM received a copy of the report on October 6, 2015 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and AECOM. AECOM's responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

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

Sincerely,



Jocelyn Hill, CPA, CGFM  
Partner

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

*Certified Public Accountants / Management Consultants*

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## Summary

### Background

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

The Stability in Key Areas (SIKA) program was comprised of four regional projects designed to promote good governance and service delivery in targeted districts, with the intended effects of reducing the impact of the insurgency, increasing confidence in the Afghan Government, and paving the way for a peaceful security transition. The SIKA program delivered assistance in two ways: building the capacity of sub-national government structures and delivering community grants for small scale, community and government-endorsed projects. The SIKA program partners worked closely with the Ministry of Rural Rehabilitation and Development (MRRD) and the Independent Directorate of Local Governance (IDLG) to strengthen existing sub-national development and governance structures, including Community Development Councils (CDCs) and District Development Assemblies (DDAs). The SIKA program supported both top-down and bottom-up linkages between the Afghan Government and local development and governance entities, helping identify sources of instability and address needs and grievances identified by targeted communities.

The objective of the SIKA South project was to promote stabilization in the South Region of Afghanistan areas by supporting the Government of the Islamic Republic of Afghanistan (GIROA) at the district level, while coordinating efforts at the provincial level, to implement community-led development and governance initiatives that respond to the population's needs and concerns in order to build confidence and stability, and increase the provision of basic services. Under the Foreign Assistance Framework, the SIKA program supported the following objective:

#### Functional Objective 6: Peace and Security:

- Program Element 6.1: Conflict Mitigation and Peace and Reconciliation Process: Reduce the threat or impact of violent conflict and promote peaceful resolution of differences, mitigate violence if it has already broken out, or establish a framework for peace and reconciliation that includes both men and women.

AECOM International Development Inc. (AECOM) is a component of AECOM, Inc. AECOM is part of a global corporation that provides services in key markets including

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transportation, facilities, environmental, energy, oil and gas, water, high-rise buildings and government. For SIKA South, AECOM received two Cost-Plus-Fixed-Fee awards:

(a) Contract number AID-306-C-12-00005 with a period of performance of April 10, 2012 to October 9, 2013 (base period) and October 10, 2013 to April 9, 2015 (option period). On May 15, 2013 contract number AID-306-C-12-00005 was terminated for convenience by USAID. The termination was prompted as a result of a bid protest from another implementer. The contract was re-competed. AECOM was required to cease operations under contract AID 306-C-12-00005 by July 31, 2013.

(b) Contract number AID-306-C-13-00003 with a period of performance of March 4, 2013 to September 3, 2014 (base period) and September 4, 2014 to March 3, 2015 (option period).

For both contracts, AECOM was approved to subcontract with one major subcontractor. The subcontractor was International Relief and Development (IRD).

IRD is considered the largest nonprofit contractor in Iraq and Afghanistan, with headquarters in Arlington, Virginia. IRD was suspended by USAID from government work after allegedly using taxpayer money for Washington Redskins season tickets, personal travel and meals, and alcohol at company receptions and retreats, according to current and former government and nonprofit officials. The Washington Post reported in January 2015 that IRD allegedly mischarged millions of dollars in overhead costs, provided lavish salaries and millions in bonuses to its employees, and that USAID found "serious misconduct" in the nonprofit's performance and management of taxpayer money. As of the date of this audit report, we have no additional details on the IRD suspension by USAID.

## Work Performed

Williams, Adley and Company-DC, LLP (Williams Adley) was contracted by SIGAR to conduct a financial audit of AECOM's Special Purpose Financial Statement for the SIKA South program, contract numbers AID-306-C-12-00005 and AID-306-C-13-00003.

## Objectives

The objectives of the audit were to:

1. Express an opinion on whether the Special Purpose Financial Statement for AECOM's SIKA South program contracts presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government and balances for the period audited in conformity with the terms of the contract and generally accepted accounting principles or other comprehensive basis of accounting.

2. Evaluate and obtain a sufficient understanding of AECOM's internal controls related to the SIKA South contracts; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
3. Perform tests to determine whether AECOM complied, in all material respects, with the contract requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the contracts and applicable laws and regulations, including potential fraud or abuse that may have occurred.
4. Determine and report whether AECOM has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the Special Purpose Financial Statement.

## Scope

The scope of work in performing a financial audit of costs incurred by AECOM for the SIKA South program under contract numbers AID-306-C-12-00005, with a billed amount of \$15,936,927 for the period of April 10, 2012 to July 31, 2013, and AID-306-C-13-00003, with a billed amount of \$32,690,570 for the period of March 4, 2013 to September 3, 2014, was to:

1. Review the Special Purpose Financial Statement and related Notes to the Special Purpose Financial Statement, preparation of which is the responsibility of AECOM's management. We reviewed internal controls related to the financial information for the audit period, including financial management systems controls and edit checks, procedural controls (documentation receipt, validation, reviews, approval levels, recordation, reconciliation, separation of duties, signatory requirements, etc.), and internal/external audits of project activities and the impact of corrective actions, if any. We requested prior audits from AECOM, SIGAR and USAID/Afghanistan. If prior audit recommendations were available, as a result of our inquiries to AECOM, SIGAR and USAID/Afghanistan, we evaluated and determined if AECOM has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statement under audit.
2. Perform compliance testing including, but not limited to, activities allowed or unallowable; allowable costs/cost principles; cost determination/indirect costs; cash management; eligibility; equipment and real property management; matching, level of effort and earmarking; period of availability of Federal funds; procurement and suspension and debarment; program income; reporting; and subcontractor selection and monitoring in accordance with contract and subcontract requirements, Agency for International Development Acquisition Regulation (AIDAR), and the Federal Acquisition Regulation (FAR).

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We reviewed transactions for the period from April 10, 2012 through September 3, 2014, and subsequent events and information related to the findings and questioned costs for the audit period, and expressed an opinion on the Special Purpose Financial Statement and related notes for the audit period.

## Methodology

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

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

In addition, the following areas were determined as directly and materially related to the Special Purpose Financial Statement and other audit objectives, and therefore, were included within the audit program for detailed evaluation:

- Disbursements, including labor and travel costs: audit steps included, but were not limited to: interviews of AECOM personnel and review of policies and procedures in order to determine existence and effectiveness of internal controls; review of supporting documentation for sample selections to assess proper charges to the program and adequacy of supporting documentation. For labor costs we reviewed contractor electronic files and hard copies for salary information, offer letters, and contracts' information. We reviewed timesheets for proper approval and accuracy of the hours charged and labor disbursement in relation to the sample selection. For travel expenses, the sample was tested for proper charges to the program, compliance with federal travel regulations and USAID regulations, accuracy of expenses charged to the contract, and adequacy of supporting documentation (expense report and receipts).
- Procurement and inventory management: audit steps included, but were not limited to: interviews of AECOM personnel and reviews of procurement and

inventory management policies and procedures to determine the existence and effectiveness of internal controls. For non-travel, non-labor transactions, audit steps included, but were not limited to review of expenses for proper charges to the program and adequacy of supporting documentation. We reviewed sample items for compliance with vetting requirements and with tax withholding requirements. From a procurement standpoint, this process included a review of a sample selection to ensure competitive bidding techniques were used by AECOM. We also reviewed sub-contractor contracts and expenses as part of disbursement testing. For inventory management, we cross-referenced the USAID-approved disposition plan to the acknowledgements signed by the receiving parties for the inventory items.

- Closeout procedures: audit steps included, but were not limited to: review of unliquidated advances to the recipient and pending reimbursements by USAID; ensuring that the recipient returned any excess cash to USAID; ensuring that all assets (inventories, fixed assets, commodities, etc.) procured with program funds were disposed of in accordance with the terms of the contracts; and presentation as an annex to the schedule of costs incurred, the balances and details of any final inventories of nonexpendable property, if applicable.

Williams Adley used both random and risk-based sampling techniques to select expenditures and payroll samples to test for allowability of incurred costs, and we reviewed procurement records to determine cost reasonableness and compliance with exclusion of parties not eligible to participate in federal awards. We requested and received supporting documentation for compliance evaluation of incurred costs. We reviewed submitted financial status reports for accuracy and compliance with reporting requirements. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in compliance with the negotiated indirect cost rate agreement.

## **Summary of Results**

Williams Adley issued an unmodified opinion on AECOM's Special Purpose Financial Statement ("Statement") for which no costs were questioned. Williams Adley also reported on AECOM's internal controls and compliance with contract terms and applicable laws and regulations regarding the Statement, and did not note any significant deficiencies or material weaknesses related thereto. We did not note any other deficiencies that we would have reported in a separate management letter.

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

Prior audits, assessments or reviews of AECOM that we considered applicable to the scope of our work were obtained and read to ensure that there were no significant deficiencies or material weaknesses noted. We obtained the following reports:

- *SIGAR 14-94 Financial Audit, USAID's Afghanistan Social Outreach Program: Audit of Costs Incurred by AECOM International Development, Inc. covering the period of July 5, 2009 through January 31, 2012 performed by Kearney P.C.*
- *SIKA East Financial Audit of Costs Incurred under contract number AID-306-C-12-00002 covering the period of December 2, 2011 to August 31, 2014 performed by Williams Adley.*
- *SIKA West Financial Audit of Costs Incurred under contract number AID-306-C-12-00004 covering the period of January 29, 2012 to August 31, 2014 performed by Williams Adley.*

For significant deficiencies or material weaknesses, which we considered pertinent to this audit, we performed test work to ensure proper correction of existing significant deficiencies or material weaknesses that could have an impact on the project. We obtained an understanding of the AECOM prior year findings and their current status. Per our inquiries and review, we determined that AECOM has taken adequate corrective actions to address the prior year audit recommendations that could have a material effect on the Special Purpose Financial Statement.

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

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

### **Attachments**

The auditors' reports are supplemented by 3 attachments:

- Attachment A contains the Consolidating Special Purpose Statement.
- Attachment B contains AECOM's official management response to the draft report.
- Attachment C contains the prior audit reports' recommendations and current status for the reports indicated above.



## **Independent Auditors' Report on the Consolidated Special Purpose Financial Statement**

Leadership Team  
AECOM International Development  
Arlington, VA

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

### ***Report on the Consolidated Special Purpose Financial Statement***

We have audited the Consolidated Special Purpose Financial Statement (the "Statement") of the AECOM International Development (AECOM) contract numbers AID-306-C-12-00005 for the period of April 10, 2012 to July 31, 2013; and AID-306-C-13-00003 for the period of March 4, 2013 to September 3, 2014; and the related notes to the statement.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit of the Statement in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order 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

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appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our unmodified opinion.

The accompanying Statement was prepared to present the revenues earned and costs incurred of AECOM pursuant to contract numbers AID-306-C-12-00005 and AID-306-C-13-00003 as described in Note 2 of the Statement, and is not intended to be a complete presentation of AECOM's assets, liabilities, revenues and expenses.

### ***Opinion***

In our opinion, the Statement referred to above presents fairly, in all material respects, program revenues and costs incurred and reimbursed under contract numbers AID-306-C-12-00005, for the period of April 10, 2012 to July 31, 2013; and AID-306-C-13-00003 for the period of March 4, 2013 to September 3, 2014 and procured by USAID for the indicated contracts and periods in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note 2 of the Statement.

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

This report is intended for the information of AECOM, the United States Agency for International Development and the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. §1905 should be considered before any information is released to the public.

### ***Report on Other Legal and Regulatory Requirements***

In accordance with Government Auditing Standards, we have also issued reports dated August 20, 2015 on AECOM's internal controls and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this Independent Auditors' Report in considering the results of our audit.

*Williams Adley & Company - DC, LLP*  
Washington, D.C.  
August 20, 2015

**AECOM International Development, Inc.**  
**Consolidated Special Purpose Financial**  
**Statement**

For the Period of April 10, 2012 to September 3, 2014

Revenues	Consolidated		Questioned Amounts		Notes
	Budget	Actual	Ineligible	Unsupported	
Contract AID-306-12-00005	\$ 58,784,676	\$ 15,936,927			
Contract AID-306-13-00003	60,241,053	32,690,570			
<b>Total Revenue</b>	<b><u>\$119,025,729</u></b>	<b><u>\$48,627,497</u></b>			
Costs					
Salaries and Wages	\$ 12,882,298	\$ 6,127,730			
Fringe Benefits	1,373,802	950,101			
Travel, Transportation, Per Diem	3,505,160	2,208,663			
Procurement	2,052,899	700,337			
Equipment and Supplies	969,119	236,716			
Communications	1,485,867	742,715			
Subcontracts/Consultants	27,860,005	12,074,204			
Allowances	2,638,520	1,682,743			
Direct Facilities Costs	5,404,481	2,829,143			
Other Direct Costs	7,510,877	3,414,433			
Direct Contract Expenditures	<b>\$ 65,683,028</b>	<b>\$ 30,966,785</b>			
Security	7,554,288	5,487,877			
Indirect Costs	11,119,326	5,577,718			
<b>TOTAL Cost</b>	<b><u>\$ 84,356,642</u></b>	<b><u>\$ 42,032,380</u></b>			
Fixed Fee	6,669,087	3,737,646			
Grants under Contract	28,000,000	2,857,471			
<b>Total Cost Plus Fixed Fee</b>	<b><u>\$119,025,729</u></b>	<b><u>\$ 48,627,497</u></b>			
Outstanding Balance (deficit)		<u>\$0</u>	\$0	\$0	

The Notes to the Special Purpose Financial Statement are an integral part of the financial statement.

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

For the Period April 10, 2012 to September 3, 2014

### Note 1. Program Status

The SIKA South program is no longer active because the option period was not exercised. AECOM received instructions to close all operations by July 31, 2015.

### Note 2. Basis of Presentation

The Special Purpose Financial Statement (the "Statement") includes revenues and costs incurred under contract numbers AID-306-C-12-00005 and AID-306-C-13-00003 with the United States Agency for International Development (USAID) Stability in Key Areas (SIKA) South for the period of April 10, 2012 to September 3, 2014.

The objective was to promote stabilization in key areas by supporting the Government of the Islamic Republic of Afghanistan (GIROA) at the district level, while coordinating efforts at the provincial level, to implement community-led development and governance initiatives that respond to the population's needs and concerns in order to build confidence, stability, and increase the provision of basic services.

The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction. Therefore, some amounts presented in this Statement may differ from amounts presented in the basic financial statements of AECOM.

### Note 3. Basis of Accounting

The Statement reflects the revenues earned and expenses incurred under both contracts AID-306-C-12-00005 and AID-306-C-13-00003. The Statement has been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

### Note 4. Currency Used

All amounts presented are shown in United States Dollars (USD).

### Note 5. Foreign Currency Conversion Method

Expenses are translated into USD at the weighted average monthly rate which is calculated based on monthly transfers from the USD bank account to the local currency bank account. Currency fluctuations between monthly rates are not included as an expense to the project and absorbed by AECOM.

For purposes of preparing the Statement, AECOM applies a conversion rate to foreign currency transactions for all expenses incurred and paid to businesses and entities

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

operating in the Islamic Republic of Afghanistan, including sub-recipient billings and subcontracts wherein the expenses were recorded in Afghanis. The conversion rate is adjusted monthly and ranged from 0.0172 to 0.0205 United States Dollar per Afghani.

**Note 6. Costs Incurred by Budget Category**

The budget line items referenced on the Statement are shown against the latest amendment of the contract budget for contract number AID-306-C-12-00005 per Modification number 3 as of February 16, 2013. Incurred and billed costs to USAID are shown on Bill No. 23 dated April 11, 2014; and for contract number AID-306-C-13-00003 per Modification 5 shown on Bill No. 21 dated September 9, 2014. AECOM invoices included the Negotiated Indirect Cost Rate Agreement (NICRA) rates based on the provisional rates approved at that time period.

AECOM invoiced USAID more than the budgeted amount under the procurement line in the original approved budget; however, the budget modification was duly submitted for approval in sufficient time before the line item approached the budgeted amount and is currently under review by USAID. A final decision has not been made at the close of this audit.



## Independent Auditors' Report on Internal Control

Leadership Team  
AECOM International Development  
Arlington, VA

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

We have audited the Special Purpose Financial Statement ("Statement") of the AECOM International under contract numbers AID-306-C-12-00005, for the period of April 10, 2012 to July 31, 2013; and AID-306-C-13-00003 for the period of March 4, 2013 to September 3, 2014; and have issued our report thereon dated August 20, 2015.

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Statement will not be prevented, or detected and corrected on a timely basis.

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

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

*Certified Public Accountants / Management Consultants*

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

*Williams, Adley & Company-DC, LLP*  
Washington, D.C.  
August 20, 2015



## Independent Auditors' Report on Compliance

Leadership Team  
AECOM International Development  
Arlington, VA

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

We have audited the Special Purpose Financial Statement ("Statement") of the AECOM International under contract numbers AID-306-C-12-00005, for the period of April 10, 2012 to July 31, 2013; and AID-306-C-13-00003 for the period of March 4, 2013 to September 3, 2014; and have issued our report thereon dated August 20, 2015.

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

Compliance with agreement terms and laws and regulations applicable to AECOM is the responsibility of AECOM's management. As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of AECOM's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

WILLIAMS, ADLEY & COMPANY-DC, LLP

*Certified Public Accountants / Management Consultants*

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*Williams, Adley & Company - DC, LLP*  
Washington, D.C.  
August 20, 2015

## Attachment A – Consolidating Special Purpose Financial Statement

For the Period of April 10, 2012 to September 3, 2014

	AID-306-C- 12-00005	AID-306-C- 12-00005	AID-306-C- 13-00003	AID-306-C- 13-00003	Consolidated		Questioned Amounts
	Budget	Actual	Budget	Actual	Budget	Actual	
<b>Revenues</b>							
<b>Total Revenue</b>	<b>\$58,784,676</b>	<b>\$15,936,927</b>	<b>\$60,241,053</b>	<b>\$32,690,570</b>	<b>\$119,025,729</b>	<b>\$48,627,497</b>	
<b>Cost Element</b>							
Salaries and Wages	\$6,370,673	\$1,684,510	\$6,511,625	\$4,443,220	\$ 12,882,298	\$ 6,127,730	
Fringe Benefits	656,622	400,938	717,180	549,163	1,373,802	950,101	
Travel, Transportation, Per Diem	1,346,221	701,414	2,158,939	1,507,250	3,505,160	2,208,663	
Procurement	1,248,800	202,086	804,099	498,252	2,052,899	700,337	
Equipment and Supplies	715,898	95,856	253,221	140,860	969,119	236,716	
Communications	521,455	160,319	964,412	582,396	1,485,867	742,715	
Subcontracts/Consultants	14,589,135	4,186,312	13,270,870	7,887,892	27,860,005	12,074,204	
Allowances	1,189,010	710,654	1,449,510	972,089	2,638,520	1,682,743	
Direct Facilities Costs	2,946,664	1,372,877	2,457,817	1,456,266	5,404,481	2,829,143	
Other Direct Costs	3,525,524	406,377	3,985,353	3,008,056	7,510,877	3,414,433	
<b>Direct Contract Expenditures</b>	<b>\$33,110,002</b>	<b>\$9,921,343</b>	<b>\$32,573,026</b>	<b>\$21,045,442</b>	<b>\$ 65,683,028</b>	<b>\$ 30,966,785</b>	
Security	3,523,109	2,990,194	4,031,179	2,497,683	7,554,288	5,487,877	
Indirect Costs	5,280,160	1,966,160	5,839,166	3,611,557	11,119,326	5,577,718	
<b>TOTAL Cost</b>	<b>\$41,913,271</b>	<b>\$14,877,697</b>	<b>\$42,443,371</b>	<b>\$27,154,683</b>	<b>\$ 84,356,642</b>	<b>\$ 42,032,380</b>	
Fixed Fee	2,871,405	1,059,230	3,797,682	2,678,416	6,669,087	3,737,646	
Grants under Contract	14,000,000	-	14,000,000	2,857,471	28,000,000	2,857,471	
<b>Total Cost Plus Fixed Fee</b>	<b>\$58,784,676</b>	<b>\$15,936,927</b>	<b>\$60,241,053</b>	<b>\$32,690,570</b>	<b>\$119,025,729</b>	<b>\$ 48,627,497</b>	
Outstanding Balance (deficit)		\$0		\$0		\$0	\$0

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## Attachment B – Management Response



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Arlington, Virginia 22201, USA  
[www.aecom.com](http://www.aecom.com)

October 8, 2015

Williams, Adley & Company-DC LLP  
1030 15<sup>th</sup> Street, N.W., Suite 350 West  
Washington, DC 20005

RE: Special Inspector General for Afghanistan Reconstruction (SIGAR) Financial Audit of Costs Incurred by AECOM International Development, Inc. under contract numbers AID-306-C-12-00005 and AID-306-C-13-00003 with United States Agency for International Development (USAID) for its Stability in Key Areas (SIKA) South I and II programs for the period of April 10, 2012 to September 3, 2014

Dear Williams, Adley & Company:

AECOM International Development accepts the audit results in which no costs were questioned and no internal control or compliance deficiencies were identified.

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## Attachment C – Prior Audit Reports Recommendations and Current Status

*SIGAR 14-94 Financial Audit, USAID's Afghanistan Social Outreach Program: Audit of Costs Incurred by AECOM International Development, Inc. covering the period of July 5, 2009 through January 31, 2012 performed by Kearney P.C.*

**NFR 2014-1:** Inadequate Controls in Place to Prevent Documentation Loss (Material Weakness)

**Recommendation:** We recommend that AECOM either provide supporting documentation to the contracting officer or return the questioned amount of \$313,688 (\$327,742) based on lack of supporting documentation.

Kearney P.C. notes that since the period of this contract, it became AECOM policy to digitize all supporting documentation in addition to any original hard-copy files retained and archived off-site. As such, Kearney P.C. offers no additional recommendation related to the control weakness that was present during the period under audit, as digitizing records to be stored separately from original hard-copies should prevent this weakness from recurring in future awards.

**Current Status:** We reviewed all policies and procedures related to the document retention including the time AECOM must retain files and documentation on the SIKA South project, and performed field work procedures to determine that controls were in place and adequate documentation supporting the costs incurred was readily available. We did not note a finding and questioned costs related to supporting documentation. As such, we determined that this finding has been adequately addressed without regard to the final determination of the questioned cost.

**NFR 2014-2:** Ineffective Controls Over Payments (Significant Deficiency)

**Recommendation:** We recommend that AECOM provide the necessary supporting documentation to the contracting officer or return the unsupported amount of \$17,382 (\$19,817 burdened), based on lack of supporting documentation or explanations for the variances identified.

We recommend that AECOM ensures that proper reviews and approvals are performed for the program official and accounting personnel to review and approve invoices for accuracy, appropriateness, and receipt of goods/services prior to payment.

**Current Status:** AECOM did take adequate corrective action to ensure controls over payments are effective such as: segregation of duties; different levels and thresholds for approving payments and appropriate documentation before approving a payment; and confirmation of payment made by reviewing cancelled checks, bank statement, payroll

summary, etc. We performed disbursement testing without similar exceptions. As such, we determined that this finding has been adequately addressed without regard to the final determination of the questioned cost.

**NFR 2014-3:** Ineffective Review of Insurance Premiums Incurred (Repeat- Significant Deficiency)

**Recommendation:** We recommend that AECOM provide the necessary supporting documentation to the contracting officer or return the question amount of \$112,114 (\$127,810 burdened), based on lack of supporting documentation.

We recommend that AECOM ensures that insurance premium cost adjustment calculations are fully explained and supported by clear payroll and personnel records so that accurate management reviews can be conducted over these adjustments. Calculations of eligible hours or payroll amounts to derive insurance premium costs should be clearly supported by labor schedules during the course of the adjustment process to retain a full audit trail of the cost incurred.

**Current Status:** We did not note any findings and questioned costs related to review of insurance premiums incurred. As such, we determined that this finding has been adequately addressed without regard to the final determination of the questioned cost.

**NFR 2014-4:** Non-Compliance with Contract Clause (Non-Compliance)

**Recommendation:** We recommend that AECOM provide the necessary supporting documentation to the contracting officer or return the questioned amount of \$11,900 (\$13,556 burdened), based on lack of approval.

We recommend that AECOM ensures that all non-expendable property is approved by USAID, by ensuring that all known property needs are included in the procurement plan, or subsequent approvals are performed and retained as the need for additional property is identified. It is suggested AECOM do this through distribution of a detailed procedural manual and training.

**Current Status:** AECOM did take corrective action to ensure compliance with contract clauses related to property. We noted no issues during our audit that could represent AECOM's noncompliance with the contract clauses. As a result, we determined that this finding has been addressed without regard to the final determination of the questioned cost.

**NFR 2014-5:** Non-Compliance with Federal Acquisition Regulation (Non-Compliance)

**Recommendation:** We recommend that AECOM ensures controls are operating effectively so that non-expendable property listings are up-to-date with all procurements specific to each contract, all non-expendable property is properly disposed of and

disposition documentation required to be submitted to USAID is complete. It is suggested the AECOM do this through the distribution of a detailed procedural manual and training.

**Current Status:** AECOM did take corrective action to ensure compliance with Federal Acquisition Regulation 52.245-1. We performed a review of procurement and property policies and procedures including document retention. In this audit we did not have any exceptions related to property. As a result, we determined that this finding has been addressed.

*Williams Adley SIKA East Financial Audit of Costs Incurred under contract number AID-306-C-12-00002 covering the period of December 2, 2011 to August 31, 2014*

**NFR 2015-01:** Unsupported Questioned Costs

**Recommendation:** We recommended that AECOM management provide USAID with records that clearly support the \$6,928 in questioned costs that were charged to USAID; reimburse USAID for those amounts for which adequate support could not be provided; and review records management controls to ensure measures are in place to prevent loss of documentation and ensure that appropriate exchange rates are applied when converting incurred costs from Afghani to United States Dollars.

**Current Status:** AECOM did take corrective actions to ensure costs incurred are adequately supported, management controls are in place and appropriate exchange rates are applied when converting incurred costs from Afghani to United States Dollars. We did not have any questioned costs in this audit. As a result, we determined that this finding has been addressed without regard to the final determination of the questioned cost.

*Williams Adley SIKA West Financial Audit of Costs Incurred under contract number AID-306-C-12-00004 covering the period of January 29, 2012 to August 31, 2014.*

**NFR 2015-01:** Unsupported Questioned Costs

**Recommendation:** We recommended that AECOM provide USAID Afghanistan with records that clearly support the \$284 in questioned costs that were charged to USAID; reimburse USAID Afghanistan for those amounts for which adequate support could not be provided; and review records management controls to ensure measures are in place to prevent loss of documentation and ensure that appropriate exchange rates are applied when converting incurred costs from Afghani to United States Dollars.

**Current Status:** AECOM did take corrective actions to ensure costs incurred are adequately supported, management controls are in place and appropriate exchange rates are applied when converting incurred costs from Afghani to United States Dollars. We did not have any questioned costs in this audit. As a result, we determined that this finding has been addressed without regard to the final determination of the questioned cost.

## 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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- Phone Afghanistan: +93 (0) 700-10-7300
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## Public Affairs

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