

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 20-51 Financial Audit

The U.S. Army Contracting Command's
Integration of Anti-Missile Protection Systems
on MI-17 Helicopters in Afghanistan: Audit of
Costs Incurred by Redstone Defense Systems



AUGUST
2020

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 29, 2017, Army Contracting Command–Redstone awarded a \$6,317,726 cost-plus-fixed-fee delivery order to Redstone Defense Systems (RDS). RDS is a joint venture comprised of Yulista Aviation Inc. and Science and Engineering Services Inc. The objective of the delivery order was to provide program management and integration support for the installation of Anti-Missile Protection Systems on MI-17 helicopters used by the Afghan National Defense and Security Forces. The initial period of performance extended from September 29, 2017, through May 30, 2019. After five modifications, the end date was extended to November 29, 2019, while the total cost of the delivery order remained the same.

SIGAR’s financial audit, performed by Crowe LLP (Crowe), reviewed a total of \$4,880,670 in costs charged to the delivery order from September 29, 2017, through November 29, 2019. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in RDS’s internal controls related to the delivery order; (2) identify and report on instances of material noncompliance with the terms of the delivery order and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether RDS has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of RDS’s Special Purpose Financial Statement (SPFS). See Crowe’s report for the precise audit objectives.

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

August 2020

The U.S. Army Contracting Command’s Integration of Anti-Missile Protection Systems on MI-17 Helicopters in Afghanistan: Audit of Costs Incurred by Redstone Defense Services

SIGAR 20-51-FA

WHAT SIGAR FOUND

Crowe identified one material weakness and three significant deficiencies in RDS’s internal controls, and three instances of noncompliance with the terms of the delivery order. RDS billed the Army \$65,721 for subcontractor costs including labor, travel, indirect costs, and profit, even though RDS’s subcontractor did not work during the period for which the billing occurred because it was waiting for the helicopters’ delivery.

Crowe sampled 37 purchases and found that 20 did not have enough support to ensure that costs were reasonable for \$23,077 worth of goods received. Finally, the auditors questioned \$9,620 because RDS had five items on hand at the end of the performance period that were not included in the final inventory that ultimately did not benefit the delivery order.

Because of these internal control deficiencies and instances of noncompliance, Crowe identified \$98,418 in total questioned costs, consisting of unsupported costs—costs not supported with adequate documentation or that do not have required prior approval. Crowe did not identify any ineligible questioned costs—costs prohibited by the contract and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Labor/Other Direct Costs	\$0	\$65,721	\$65,721
Incurred Costs	\$0	\$32,697	\$32,697
Total Costs	\$0	\$98,418	\$98,418

Crowe did not find any prior audits that had a direct and material impact on the SPFS.

Crowe issued an unmodified opinion on RDS’s SPFS, noting that it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at Army Contracting Command–Redstone:

- 1. Determine the allowability of and recover, as appropriate, \$98,418 in questioned costs identified in the report.**
- 2. Advise RDS to address the report’s four internal control findings.**
- 3. Advise RDS to address the report’s three noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

August 21, 2020

The Honorable Dr. Mark T. Esper
Secretary of Defense

Mr. Ryan D. McCarthy
Secretary of the Army

General Austin Scott Miller
Commander, U.S. Forces–Afghanistan and
Commander, Resolute Support

We contracted with Crowe LLC (Crowe) to audit the costs incurred by Redstone Defense Systems (RDS) under a cost-plus-fixed-fee delivery order issued to provide program management and integration support for the installation of the of Anti-Missile Protection Systems on MI-17 helicopters in Afghanistan.¹ Crowe reviewed \$4,880,670 in costs charged to the delivery order from September 29, 2017, through November 29, 2019. Our contract with Crowe 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 Army Contracting Command–Redstone:

- 1. Determine the allowability of and recover, as appropriate, \$98,418 in questioned costs identified in the report.**
- 2. Advise RDS to address the report's four internal control findings.**
- 3. Advise RDS to address the report's three noncompliance findings.**

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

We are requesting documentation related to corrective actions taken and target dates for completion for the recommendations. Please provide this information to 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-178)

¹ The delivery order number is 0703, and the contract number is W58RGZ-12-D-0089.



Redstone Defense Systems

Special Purpose Financial Statement

For Delivery Order 0703 Issued Under Contract Number W58RGZ-12-D-0089

For the Period September 29, 2017 through November 29, 2019

(With Independent Auditor's Report Thereon)

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Crowe LLP

Independent Member Crowe Global

1455 Pennsylvania Avenue, N.W., Suite 700

Washington, D.C. 20004-1008

Tel +1 202 624 5555

Fax +1 202 624 8858

www.crowe.com

TRANSMITTAL LETTER

June 23, 2020

To Yulista Holding, SES Holding Company, and the Management of Redstone Defense Systems
631 Discovery Drive, NW
Huntsville, Alabama 35806

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of Redstone Defense Systems's ("RDS") delivery order funded by the United States Army Contracting Command – Redstone ("ACC").

Within the pages that follow, we have provided a brief summary of the work performed. Following the summary, we have incorporated 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 the comments, feedback, and interpretations of RDS, the Office of the Special Inspector General for Afghanistan Reconstruction, and ACC, provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses have been incorporated into this report as an appendix.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of RDS's delivery order.

Sincerely,

A handwritten signature in black ink that reads "John C. Weber".

John C. Weber, CPA, Partner
Crowe LLP

Summary

Background

The Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) engaged Crowe LLP (“Crowe” or “we” or “our”) to conduct a financial audit of delivery order (“DO”) 0703 issued under contract number W58RGZ-12-D-0089 for the period September 29, 2017, through November 29, 2019. On September 29, 2017, the Army Contracting Command-Redstone (“ACC”) awarded DO 0703 to Redstone Defense Systems (“RDS”). RDS is a joint venture (“JV”) comprised of Yulista Aviation Inc. and Science and Engineering Services Inc. The JV was formed for the purpose of proposing, negotiating, and performing an 8(a) competitively awarded contract to provide support to the U.S. Army Prototype Integration Facility located on Redstone Arsenal, Alabama.¹

The DO was structured as a cost-plus-fixed-fee (completion) delivery order. The delivery order’s purpose was to support the integration of Anti-Missile Protection Systems on Mi-17 variant helicopters in Afghanistan. Mi-17 variant helicopters include Mi-8MTV-1, Mi-17-1V, and Mi-17V-5. RDS was expected to provide the following within its scope (not all-inclusive):

- Integrate twenty-seven (27) U-AMPS2 AMPS-MV A-Kits provided as Government Furnished Equipment onto Mi-17 Helicopters in Kabul, Afghanistan;
- Hold a verification/validation event for the first installation effort with the Aviation Applied Technology Directorate and Prototype Integration Facility to ensure integration documentation is acceptable for fielding by April 2017; and
- Provide overtime as necessary to accommodate unit work schedules, mission requirements, facility access, and aircraft availability.

The initial DO included a period of performance spanning September 29, 2017, through May 30, 2019, and funding was established at a level of \$6,317,726. There were five subsequent modifications to the award that extended the period of performance to a November 29, 2019, end date. There was no change to the overall funding amount.

The modifications are summarized below:

Modification No.	Highlights
01	• A revised Government Furnished Property List was incorporated into the delivery order.
02	• A revised Statement of Work was incorporated into the delivery order.
03	• Transferred contract administration responsibilities to the Procurement Buying Command. The period of performance for the four subcontract line item numbers (SLINs) was extended from May 30, 2019, to September 30, 2019
04	• Exercised a no cost extension to extend the period of performance end date from September 30, 2019, through November 29, 2019.
05	• Reallocated \$137,064 from Labor/ODC SLIN 0001BB to Travel SLIN 0001DA.

The audit’s scope included activity within the period September 29, 2017 through November 29, 2019, inclusive of closeout procedures. Within the period under audit, RDS reported \$4,880,670 in total revenue, which consisted of \$4,637,347 in reimbursable costs and \$243,323 in fixed fee earned under the DO.

¹ Joint Venture Agreement entered into on January 13, 2011 by and between Yulista Aviation Inc. and Science and Engineering Services Inc.

Work Performed

Crowe LLP (“Crowe”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction to conduct a closeout audit of RDS’s delivery order.

Objectives Defined by SIGAR

The following audit objectives were defined within the *Performance Work Statement for Financial Audits of Costs Incurred by Organizations Contracted by the U.S. Government for Reconstruction Activities in Afghanistan*:

Audit Objective 1 – Special Purpose Financial Statement

Express an opinion on whether the Special Purpose Financial Statement (“SPFS”) for the delivery order presents fairly, in all material respects, revenues earned, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the delivery order and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – Internal Controls

Evaluate and obtain a sufficient understanding of RDS’s internal control related to the delivery order; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 3 – Compliance

Perform tests to determine whether RDS complied, in all material respects, with the terms and conditions of the delivery order and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the delivery orders and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Determine and report on whether RDS 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 or other financial data significant to the audit objectives.

Scope

The scope of the audit included the period September 29, 2017 through November 29, 2019. The audit was limited to those matters and procedures pertinent to the delivery order that have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Activities;
- Allowable Costs;
- Cash Management;
- Equipment and Real Property; and
- Procurement.

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the auditee’s internal controls over compliance and financial reporting and determined if adequate corrective action was taken in response to prior audit, assessment, and review comments, as applicable.

(Continued)

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded accurately and consistent with the terms and conditions of the award; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the delivery order if the cost benefited multiple objectives; and were adequately supported.

With regard to Audit Objective 2 regarding internal control, Crowe requested, and the auditee provided copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by RDS during the period of performance. To the extent documented policies and procedures were unavailable, Crowe conducted interviews with management to obtain an understanding of the processes that were in place during the period of performance. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the delivery order. Crowe identified – through review and evaluation of the delivery order issued by ACC to RDS – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including, but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected transactions, vouchers for payment submitted to ACC, procurements, government property, and reports for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess RDS's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the provisional billing rate letters issued by the Defense Contract Audit Agency.

In addition, Crowe conducted closeout audit procedures. Such procedures included, but were not limited to, assessing whether cash receipts exceeded revenue earned, final physical inventories were performed, and government property was properly disposed of in accordance with the Government's directives. Crowe's procedures did not, however, include establishment of final indirect cost rates.

Regarding Audit Objective 4, Crowe inquired of RDS, SIGAR, and ACC personnel participating in the audit entrance conference to understand whether there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. As a result of the aforementioned efforts, we did not identify any prior audit reports that required review and follow-up.

Summary of Results

Upon completion of Crowe's procedures, Crowe identified four findings because they met one or more of the following criteria: (1) significant deficiencies in internal control; (2) material weaknesses in internal control; (3) noncompliance with rules, laws, regulations, or the terms and conditions of the delivery order; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued an unmodified opinion on the SPFS, noting the SPFS presents fairly, in all material respects, revenues earned, costs incurred, and balance for the period audited.

(Continued)

Crowe also reported on both RDS's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the delivery order. One material weakness in internal control and three significant deficiencies in internal control were reported. Three of the findings were classified as instances of noncompliance. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

In response to the identified instances of noncompliance, Crowe reported \$98,418 in questioned costs. SIGAR requires questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by the audited contract or applicable laws and regulations, or that are unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or did not have the required prior approvals or authorizations. All of the questioned costs Crowe identified were unsupported costs. The following summary is intended to present an overview of the audit results and is not intended to be a representation of the audit's results in their entirety. The summary includes questioned costs reported by Crowe – all of which were classified as unsupported.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to RDS's financial performance under the delivery order. Based on Crowe's communications with RDS, SIGAR, and ACC, there were no such previous reports issued. Therefore, Crowe did not conduct follow-up procedures on prior findings.

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2019-01	Equitable Cost Adjustments Charged to the Award Without Corresponding Benefit	Significant Deficiency and Noncompliance	\$ 65,721
2019-02	Inadequate Documentation to Support Cost Reasonableness	Significant Deficiency and Noncompliance	\$ 23,077
2019-03	Understated Revenue and Errors Identified in Notes to the Special Purpose Financial Statement (SPFS)	Material Weakness	\$ 0
2019-04	Incorrect Physical Inventory of Government Property and Items Not Disposed Of	Significant Deficiency and Noncompliance	\$ 9,620
Total Questioned Costs:			\$ 98,418

Summary of Management Comments

RDS's management agreed with finding 2019-03. However, management disagreed with findings 2019-01, 2019-02, and 2019-04. The disagreements presented within management's responses to the audit findings resulted primarily from:

1. Finding 2019-01: RDS asserts that the costs associated with having a subcontractor's team remain in Afghanistan, following a delay in aircraft delivery, rather than re-deploying, provided economic benefit to the Government, such that the cost of non-productive time should be considered allocable and reimbursable under the delivery order;
2. Finding 2019-02: RDS does not consider documenting price reasonableness for micro-purchases to be a FAR requirement and, although RDS says it ensures that micro-purchases are reasonable, RDS does not believe it is required to document such efforts;

3. Finding 2019-04: SES says it provided a revised non-labor detail to ACC, on behalf of RDS, and ACC accepted SES's explanation for the revisions and changes to the physical inventory.

References to Appendices

The auditor's reports are supplemented by three appendices: **Appendix A**, which contains management's responses to the audit findings; **Appendix B**, which contains the auditor's rebuttal; and **Appendix C**, which contains the final inventory for DO 0703. The inventory contained in **Appendix C** and was prepared by management.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To Yulista Holding, SES Holding Company, and the Management of Redstone Defense Systems
631 Discovery Drive, NW
Huntsville, Alabama 35806

To the 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 Special Purpose Financial Statement (the "Statement") of Redstone Defense Systems ("RDS"), and related notes to the Statement, with respect to delivery order number 0703 issued under Army Contracting Command – Redstone (ACC) basic contract number W58RGZ-12-D-0089 for the period September 29, 2017, through November 29, 2019.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of delivery order number 0703 issued under contract number W58RGZ-12-D-0089. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 auditor's 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 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 basis for our audit opinion.

(Continued)

Opinion

In our opinion, the Statement referred to above pertaining to delivery order 0703 issued under ACC contract number W58RGZ-12-D-0089 presents fairly, in all material respects, the revenues earned, costs incurred, and balance for the indicated period in accordance with the basis of presentation and accounting described in Notes 1, 2, 4, 5, and 6.

Basis of Presentation and Accounting


We draw attention to Notes 1, 2, 4, 5, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in a format required by SIGAR and presents those amounts as permitted under the terms of Army Contract No. W58RGZ-13-D-0048, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the grant referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of RDS, the Army, and SIGAR. 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 our reports dated June 23, 2020, on our consideration of RDS's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RDS's internal control over financial reporting and compliance.



Crowe LLP

Crowe LLP

Washington, D.C.
June 23, 2020

REDSTONE DEFENSE SYSTEMS
SPECIAL PURPOSE FINANCIAL STATEMENT
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>		<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
Revenue					
Contract No. W58RGZ-12-D-0089, Delivery Order No. 0703	\$ 6,317,726	\$ 4,880,670			4
Total Revenue	<u>6,317,726</u>	<u>4,880,670</u>			
Costs Incurred					5
CLIN No. 0001AA, MAT - MI-17 Helicopter Anit-Missile Protection System	244,007	155,215			
CLIN No. 0001BA, LAB/ODC - MI-17 Helicopter Anit-Missile Protection System	4,081,421	3,543,906		\$ 12,641	A
CLIN No. 0001BB, LAB/ODC - MI-17 Helicopter Anit-Missile Protection System	1,568,067	704,638		53,080	A
CLIN No. 0001DA, TRAVEL - MI-17 Helicopter Anit-Missile Protection System	96,945	233,588			
CLIN No. 0002 Contract Data Requirements List	-	-			
CLIN No. A001 Contract Data Requirements List	-	-			
CLIN No. 0003 Contractor Manpower Reporting	-	-			
CLIN No. A002 Contractor Manpower Reporting	-	-			
Total Costs Incurred	<u>\$ 5,990,440</u>	<u>\$ 4,637,347</u>		<u>\$ 32,697</u>	B, C
Fixed Fee	<u>327,286</u>	<u>243,323</u>			
Balance	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 98,418</u>	6

The accompanying notes to the Special Purpose Financial Statement are an integral part of this Statement.

REDSTONE DEFENSE SYSTEMS
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Delivery Order Number 0703 issued under Army Contracting Command – Redstone (ACC) contract number W58RGZ-12-D-0089 for the Mi-17 Helicopter Anti-Missile Protection System ("AMPS") for the period September 29, 2017 through November 29, 2019. Because the Statement presents only a selected portion of the operations of Redstone Defense Systems ("RDS"), it is not intended to and does not present the financial position, changes in net assets, or cash flows of RDS. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to Delivery Order 0703 issued under contract number W58RGZ-12-D-0089. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – BASIS OF ACCOUNTING

Revenues and expenditures reported on the Statement are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in Federal Acquisition Regulation (FAR) Part 31 wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – FOREIGN CURRENCY CONVERSION METHOD

For purposes of preparing the Statement, conversions from local currency to United States dollars were not required.

NOTE 4 – REVENUES

Revenues on the Statement represent the amount of funds to which Redstone Defense Systems is entitled to receive from the United States Government for allowable, eligible costs incurred under the delivery order and fees earned during the period of performance.

NOTE 5 – COSTS INCURRED BY BUDGET CATEGORY

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved delivery order contract budget adopted as a component of the original award, as modified.

NOTE 6 – BALANCE

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the contract and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

(Continued)

REDSTONE DEFENSE SYSTEMS
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

NOTE 7 – CURRENCY

All amounts presented are shown in USD.

NOTE 8 – PROGRAM STATUS

The period of performance for the delivery order concluded on November 29, 2019 pursuant to modification number 04 dated October 22, 2019.

NOTE 9 – INDIRECT COSTS

Indirect costs charged to the delivery order were incurred and charged by Science and Engineering Services, Inc. ("SES"). SES calculates and charges indirect costs based on the agreed-upon rates reflected within provisional billing rate letters issued by the Defense Contract Audit Agency (DCAA). Whereas provisional rates are estimated and will not be finalized until DCAA conducts its final audits and issues final rate agreements, the indirect costs reported in the Statement reflect SES's estimated indirect costs pending finalization of the rates.

NOTE 10 – JOINT VENTURE STRUCTURE

RDS is an unpopulated joint venture established by Yulista Aviation, Inc. and Science and Engineering Services, Inc. pursuant to a Joint Venture Agreement dated January 13, 2011.

NOTE 11 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to the September 29, 2017 through November 29, 2019 period covered by the Statement. Management has performed their analysis through June 23, 2020.

REDSTONE DEFENSE SYSTEMS
NOTES TO THE QUESTIONED COSTS PRESENTED ON THE
SPECIAL PURPOSE FINANCIAL STATEMENT
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

- A. Finding 2019-01 questioned \$65,721 as a result of payments to a subcontractor charged to the U.S. Government for time not worked during a helicopter delivery delay. The costs were associated with equitable cost adjustments agreed-upon between the prime contractor and its subcontractor.
- B. Finding 2019-02 identified \$23,077 in questioned costs due to a lack of documentation supporting the reasonableness of actual costs incurred resulting from 20 procurements.
- C. Finding 2019-04 questioned \$9,620 in costs associated with government property that was not disposed of as of the end of the period of performance in accordance with the Government's instructions.

Notes to the Questioned Costs are prepared by the auditor for purposes of this report. Management takes no responsibility for the notes to the questioned costs.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To Yulista Holding, SES Holding Company, and the Management of Redstone Defense Systems
631 Discovery Drive, NW
Huntsville, Alabama 35806

To the 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 (the "Statement") of Redstone Defense Systems ("RDS"), and related notes to the Statement, with respect to delivery order number 0703 issued under Army Contracting Command – Redstone (ACC) basic contract number W58RGZ-12-D-0089 for the period September 29, 2017, through November 29, 2019. We have issued our report thereon dated June 23, 2020.

Internal Control over Financial Reporting

RDS's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Note 1 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement for the period September 29, 2017, through November 29, 2019, we considered RDS's internal controls to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of RDS's internal control. Accordingly, we do not express an opinion on the effectiveness of RDS'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

(Continued)

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 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-03 to be a material weakness.

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 consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-01, 2019-02, and 2019-04 to be significant deficiencies.

RDS's Response to the Findings

RDS's response to the findings identified in our audit are described in Appendix A to our report. RDS's response to the findings were not subject to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

Restriction on Use

This report is intended for the information of RDS, SIGAR, and Army Contracting Command - Redstone. 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.


Crowe LLP

Washington, D.C.
June 23, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To Yulista Holding, SES Holding Company, and the Management of Redstone Defense Systems
631 Discovery Drive, NW
Huntsville, Alabama 35806

To the 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 (the "Statement") of Redstone Defense Systems ("RDS"), and related notes to the Statement, with respect to delivery order number 0703 issued under Army Contracting Command – Redstone (ACC) basic contract number W58RGZ-12-D-0089 for the period September 29, 2017, through November 29, 2019. We have issued our report thereon dated June 23, 2020.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the delivery order is the responsibility of the management of RDS.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of 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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-01, 2019-02, and 2019-04.

RDS's Response to the Finding

RDS's response to the findings identified in our audit are described in Appendix A to our report. RDS's response to the finding were not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on them.

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.

(Continued)

Restriction on Use

This report is intended for the information of RDS, SIGAR, and Army Contracting Command - Redstone. 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.

Crowe LLP
Crowe LLP

Washington, D.C.
June 23, 2020

REDSTONE DEFENSE SYSTEMS
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

FINDING 2019-01: Unauthorized Equitable Cost Adjustments Charged to the Award

Significant Deficiency in Internal Control and Noncompliance

Condition: During our testing of 74 of 2,037 transactions charged to the delivery order and recorded on RDS's Special Purpose Financial Statement, we noted RDS charged the government for equitable cost adjustments ("ECA") on two invoices totaling \$65,721. Management indicated that the ECAs were billed to the government for personnel time and associated costs due to a delay in the delivery of government furnished property needed to complete the contracted work.

Per review of the invoices submitted to RDS by the subcontractor and discussion with management, the ECAs were associated with time in which the subcontractor did not perform work; rather, the costs resulted from nonproductive time waiting for the delivery of helicopters and included labor charges, travel costs, indirect costs, and profit. Therefore, the costs do not directly contribute to advancement of the delivery order's objectives and are not allocable to the award. In addition, passing costs through to the contractor without corresponding work product may be considered an excessive pass through cost and unreasonable.

In consideration of the above, \$65,721 is in question. The amounts in question by invoice number are reflected in the following table.

Invoice No	Invoice Date	Delay Date	AMPS Labor	DBA Insurance	Lodging	Fee (15%)*	Daily Total
AAL260519-001	5/26/2019	3/20/2019	3,683	178	1,880	579	6,320
		3/21/2019	3,683	178	1,880	579	6,320
		3/23/2019	3,683	178	1,880	579	6,320
		4/6/2019	3,683	178	1,880	579	6,320
		4/7/2019	3,683	178	1,880	579	6,320
		4/8/2019	2,925	142	1,843	460	5,370
		4/9/2019	2,925	142	1,843	460	5,370
		4/10/2019	2,925	142	1,843	460	5,370
		4/11/2019	2,925	142	1,843	460	5,370
Total			30,115	1,458	16,772	4,735	53,080

* Fee was charged on AMPS Labor and DBA Insurance but not lodging.

Invoice No	Invoice Date	Delay Date	AMPS Labor	DBA Insurance	Lodging	Fee (15%)*	Daily Total
AAL-L41118-001	11/14/2018	6/9/2018	3,683	178	1,881	579	6,321
		6/10/2018	3,683	178	1,880	579	6,320
Total			7,366	356	3,761	1,158	12,641

Total Questioned Costs	37,481	1,814	20,533	5,893	65,721
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Criteria: According to FAR 31.201-2(a), *Determining Allowability* "A cost is allowable only when the cost complies with all of the following requirements:

- (1) Reasonableness.
- (2) Allocability.
- (3) Standards promulgated by the CAS Board, if applicable, otherwise, generally accepted accounting principles and practices appropriate to the circumstances.
- (4) Terms of the contract.
- (5) Any limitations set forth in this subpart."

(Continued)

REDSTONE DEFENSE SYSTEMS
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

FAR 31.201-4, *Determining allocability*, states, "A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it –

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

Pursuant to FAR 52.215-23, *Limitations on Pass-Through Charges*, as applied to RDS via its base contract, "The Government will not pay excessive pass-through charges. The Contracting Officer shall determine if excessive pass-through charges exist." FAR 52.215-23 defines "Excessive pass-through charge" as follows, "...with respect to a Contractor or subcontractor that adds no or negligible value to a contract or subcontract, means a charge to the Government by the Contractor or subcontractor that is for indirect costs or profit/fee on work performed by a subcontractor (other than for the costs of managing subcontracts and any applicable indirect costs and associated profit/fee based on such costs)."

Questioned Costs: \$65,721

Effect: The Government paid for costs without receiving any corresponding work product.

Cause: RDS considered it to be less expensive and in the best interest of the project to charge the Government for personnel time and associated costs in lieu of sending personnel home and having them return to Afghanistan upon delivery of helicopters. However, RDS did not provide documentation supporting its cost benefit analysis or evidence of prior approval from the Contracting Officer.

Recommendation: We recommend that RDS:

1. Either provide documentation to demonstrate that work benefiting the delivery order was performed for the time covered by the equitable cost adjustments or reimburse the Government \$65,721; and
2. Develop, document, and implement procedures into the RDS Accounting Manual to assess and demonstrate the allocability of costs associated with equitable cost adjustments and retain documentation supporting allocability.
3. Provide staff with necessary trainings based on developed procedures.

(Continued)

REDSTONE DEFENSE SYSTEMS
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

FINDING 2019-02: Inadequate Documentation to Support Cost Reasonableness

Significant Deficiency in Internal Control and Noncompliance

Condition: RDS issued 122 purchase orders for Afghanistan-related work on Delivery Order 0703. Crowe selected 37 procurements for testing, covering the delivery order. Of the 37 selections, 34 were less than the micro-purchase threshold of \$5,000.² This threshold allows the contractor to select whatever company and product it wants to satisfy procurements requirements, so long as the contractor can demonstrate the price is reasonable.

During our procedures, we noted RDS did not retain documentation within its procurement files to support the reasonableness of the costs associated with the purchases. Therefore, Crowe conducted a search of publicly available information to ascertain whether the costs incurred for the 34 selections were reasonable. In only 14 of the 34 instances, Crowe concluded the costs charged by RDS were reasonable. Information could not be obtained to independently determine the reasonableness of the remaining 20 instances. For those remaining 20 instances, totaling \$23,077, RDS did not provide adequate documentation supporting the reasonableness of the costs incurred.

In consideration of the above, \$23,077 is in question. The amounts in question by purchase order (PO) are reflected in the following table.

Selection No	PO	Date	Product Description	Amount
1	R18PP00074	1/5/2018	S1125-KIT-5 ADHESIVE	19
2	R18PP01556	4/24/2018	BARREL SANDER KIT	40
3	R18PP00178	1/11/2018	FREIGHT COSTS MISC 2-WAY MATCH	304
4	R18PP05561	12/6/2018	PACKAGING & SHIPPING HAZMAT TO KABUL	75
5	R18PP03105	7/31/2018	PWC285 OLIVE DRAB, FS 34088	3,960
7	R17PP04019	11/15/2017	TORQUE WRENCH	1,040
10	R18PP00019	1/3/2018	CUTTING WHEEL	185
11	R18PP03339	8/17/2018	SEALING COMPOUND	1,774
13	R19PP01393	4/16/2019	SEALING COMPOUND	524
14	R18PP01818	5/15/2018	DATUM LEVELING BAR	3,004
18	R18PP03110	7/31/2018	AEROSOL PWC277 GRAY/BLUE & OLIVE DRAB PAINT	3,960
20	R18PP01716	5/7/2018	FLUCK-1509/MULTIMETER, J48 ALUMINUM STRAIGHT EDGE	215
22	R18PP01522	4/20/2018	CORROSION PREVENTATIVE COMPOUND AEROSOL	95
23	R18PP01523	4/20/2018	SAFTY WIRE, WIRE NON ELECTRICAL	27
24	R18PP02780	7/11/2018	AEROSOL, PWC686 TAN, PWC277 GRAY/BLUE, FREIGHT COSTS MISC 2-WAY MATCH	3,256
25	R19PP01676	6/13/2019	ALODTNE TOUCH-N-PREP	112
26	R18PP01553	4/24/2018	RIVET	82
30	R17PP04558	12/19/2017	PRIMER BURST SEAL PACK	748
31	R19PP01672	6/13/2019	CORROSION PREVENTATIVE COMPOUND AEROSOL	13
36	R18PP00800	2/27/2018	DEEP GREEN & HAZEL MATT ENAMEL, FREIGHT COSTS	3,644
TOTAL:				23,077

Criteria: FAR 31.201-3, *Determining reasonableness*, states:

² The National Defense Authorization Act for Fiscal Year 2017 set the micro-purchase threshold for Department of Defense-related contract activities as \$5,000.

(Continued)

REDSTONE DEFENSE SYSTEMS
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

- (a) A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. Reasonableness of specific costs must be examined with particular care in connection with firms or their separate divisions that may not be subject to effective competitive restraints. No presumption of reasonableness shall be attached to the incurrence of costs by a contractor. If an initial review of the facts results in a challenge of a specific cost by the contracting officer or the contracting officer's representative, the burden of proof shall be upon the contractor to establish that such cost is reasonable.
- (b) What is reasonable depends upon a variety of considerations and circumstances, including:
- (1) Whether it is the type of cost generally recognized as ordinary and necessary for the conduct of the contractor's business or the contract performance;
 - (2) Generally accepted sound business practices, arm's length bargaining, and Federal and State laws and regulations;
 - (3) The contractor's responsibilities to the Government, other customers, the owners of the business, employees, and the public at large; and
 - (4) Any significant deviations from the contractor's established practices.

FAR 31.201-2(d), *Determining Allowability*, states:

(d) A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost that is inadequately supported.

SES Procurement Policy, Section 5.4, states:

At the conclusion of negotiations and prior to award, the Buyer or Subcontract Administrator will be responsible for building a purchase order file for management approval. QA-257, "SES Purchase Order Review and Documentation Checklist" shall be used to judge the completeness of the file prepared and to reduce failure by compensating for potential limits of human memory and attention. The upper section of the checklist consists of areas to review prior to order placement. This section should be completed for all procurements regardless of dollar value. The lower section references tab numbers for documents that should be included in the file when applicable. This section should be completed for all orders greater than the micro threshold for vendor PO's and for all subcontract PO's regardless of dollar value.

Questioned Costs: \$23,077

Effect: The Government may have paid more in costs than is reasonable or appropriate for the goods received.

Cause: RDS did not establish procedures to document the reasonableness of costs incurred that result from micro-purchases. RDS used of a micro-purchase procurement methodology to make its purchases and incorrectly assumed that the use of this micro-purchase procurement methodology effectively waived the expectation that the contractor have to support the reasonableness of costs as mandated by FAR 31.201-3.

Recommendation: We recommend that RDS:

1. Modify its existing procurement procedures to require that buyers document the means used to conclude costs and/or prices are reasonable for micro purchases and retain this information;

(Continued)

REDSTONE DEFENSE SYSTEMS
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

2. Either provide documentation supporting the reasonableness of the costs incurred under each purchase order or reimburse the Government \$23,077; and
3. Provide training to procurement personnel regarding the necessity to document cost or price reasonableness for purchases below the micro-purchase threshold and competitive procurement requirements.

(Continued)

REDSTONE DEFENSE SYSTEMS
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

FINDING 2019-03: Understated Revenue and Errors Identified in Notes to the SPFS

Material Weakness in Internal Control

Condition: During our testing of the Special Purpose Financial Statement (SPFS) and accompanying notes, we noted the following:

- RDS recorded revenue of \$4,637,347, which excluded the fixed fee earned by RDS of \$243,323. As a result, revenue was understated by \$243,323, which was material to the SPFS;
- Note 2 of the SPFS stated RDS used the modified cash basis of accounting. However, during our testing and inquiries with management, we noted management used the accrual basis of accounting. RDS confirmed the note was in error; and
- RDS did not include the required balance account on the SPFS.

Management accepted the auditor's recommended adjustments to the SPFS such that the above referenced matters were resolved and Crowe has concluded the SPFS is materially accurate.

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Internal Control – Integrated Framework*, states, "Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance."

SIGAR requires presentation of revenues received, costs incurred, and balance for the period under audit.

Questioned Costs: None

Effect: Errors in financial statements, inclusive of the notes to statements, increase the likelihood that users of the statements will rely on inaccurate information and/or make decisions without being fully informed.

Cause: RDS's internal review and approval process did not function effectively.

Recommendation: We recommend that RDS modify its review protocol for use in future financial statement reviews to help reduce the risk of errors in note disclosures, omitted accounts, or misstatements.

(Continued)

REDSTONE DEFENSE SYSTEMS
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

FINDING 2019-04: Incorrect Physical Inventory of Government Property and Items Not Disposed

Significant Deficiency in Internal Control and Noncompliance

Condition: RDS conducted a final physical inventory, consistent with the applicable government property requirements. We requested and obtained a copy of the final inventory as a component of our closeout procedures and reviewed the inventory and accompanying reconciliation to RDS's financial records. RDS included 77,924 items in the final inventory. In response to our audit inquiries, management reviewed the inventory, identified a series of corrections, and provided a revised reconciliation. In total, 206 property records required revision. The revisions resulted in an increase of 21 items in the total quantity of inventoried items. The 21 items were valued at \$12,717. Whereas we did not identify any exceptions during our disposition testing based on the final inventory, no costs are questioned as a result of the increase.

We noted, however, that there were five items remaining on-hand at the end of the period of performance that were not included in the final inventory. Whereas the contract is no longer active, the items are not in use for the delivery order's needs and, therefore, are not benefiting the delivery order. The total value of the five items, per RDS's inventory, is \$9,620 and is in question.

Criteria: FAR 52.245-1(b), *Property management*, states: "(1) The Contractor shall have a system of internal controls to manage (control, use, preserve, protect, repair, and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective and efficient control of Government property."

FAR 52.245-1(f)(1)(iii)(A), *Records of Government property*, states, "The Contractor shall create and maintain records of all Government property accountable to the contract, including Government-furnished and Contractor-acquired property.

(A) Property records shall enable a complete, auditable record of all transactions..."

FAR 52.245-1(f)(x), *Property closeout*, states, "The Contractor shall promptly perform and report to the Property Administrator contract property closeout, to include reporting, investigating and securing closure of all loss of Government property cases; physically inventorying all property upon termination or completion of this contract; and disposing of items at the time they are determined to be excess to contractual needs."

RDS Property Management Plan, *10.0 Contract Closeout or Termination*, states, "RDS Property Management shall participate with contract close-out or termination and work jointly with PM to perform physical inventories ninety (90) days prior to end of project period of performance. PM shall notify inventory control, if property can be utilized on follow-on projects. Transfer requests shall be submitted and property transferred as authorized."

Inventories shall promptly be conducted and reported at contract closeout, to include reporting, investigating and securing closure of all LTDD cases; physically inventorying all property upon contract completion or termination; and disposing of items at the time they are determined to be excess to contractual needs.

Care shall be taken to ensure schedules are accurate and properly prepared to reflect description, part number, quantity, unit cost, total cost, condition code and contract number. Upon completion of instructions and as directed, property records shall be adjusted and updated accordingly."

(Continued)

REDSTONE DEFENSE SYSTEMS
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

Questioned Costs: \$9,620

Effect: The Government may rely on inaccurate and incomplete property records when evaluating and managing government property available from the program.

Cause: RDS did not implement adequate internal control procedures over property management or otherwise provide adequate training to personnel to ensure property management procedures are appropriately executed, including supervisory review.

Recommendation: We recommend that RDS:

1. Submit a revised final physical inventory to the Army Contracting Command and include a certification statement regarding the accuracy and completeness of the revised inventory;
2. Either obtain the Contracting Officer's direction regarding the disposition of the remaining five items on-hand and properly dispose of the items or reimburse the Government \$9,620 should the remaining items be kept in RDS's custody and control;
3. Provide additional training to personnel conducting assessments of the government property controls and inventory processes to enhance the effectiveness of the assessments; and
4. Provide training to program managers and property management team members responsible for inventory control regarding the inventory, disposition, supervisory review, and contract closeout processes to mitigate the risk of future inventory errors.

(Continued)

REDSTONE DEFENSE SYSTEMS
SECTION II – SUMMARY SCHEDULE OF PRIOR AUDIT REVIEW AND ASSESSMENT SCHEDULE OF
FINDINGS AND QUESTIONED COSTS
CONTRACT NO. W58RGZ-12-D-0089, DELIVERY ORDER 0703
For the Period September 29, 2017, through November 29, 2019

Crowe requested from RDS copies of prior audit, review, and/or assessment reports that could be pertinent to Crowe's audit. RDS indicated no such reports existed. Crowe inquired of SIGAR and the Army Contracting Command-Redstone personnel participating in the audit entrance conference regarding the existence of such reports as well. No prior reports were communicated to Crowe. Therefore, no follow-up procedure pertaining to prior audit, review, and assessment findings and recommendations was conducted.

(Continued)

APPENDIX A – VIEWS OF RESPONSIBLE OFFICIALS

We have included the verbatim response provided by RDS on June 16th, 2020. We have not included the referenced attachments provided by management due to volume and sensitivity of correspondence between the Government and its contractor; however, the attachments are available for review by ACC, if and as requested. Management responses contain references to SES. RDS is a joint venture between SES and Yulista, and SES is the implementing partner for the award under audit.

Finding 2019-01: Unauthorized Equitable Cost Adjustments Charged to the Award

Management Response:

In response to audit finding 2019-01, RDS provides the below analysis to further explain the reasoning and benefit the United States Government (USG) received. The analysis below is a summary of the decision making process RDS made when deciding whether it was most beneficial to the USG to keep a team on the ground in Kabul vs. redeploying the entire team home. The two equitable cost adjustments listed below were driven by the delay of GFE (aircraft). One of the assumptions made in the technical write up of the proposal by RDS was that "RDS assumed the installation will be conducted nose to tail with no down time in between aircraft" (Attachment A: Assumption # 11). The USG COR concurred to this assumption during negotiations (Attachment B; Assumption # 11). This delay in GFE should have triggered a cost impact to the contract, but due to the USG COR and RDS PM's decision to keep the team on the ground, RDS was able to cover the cost with existing funds already awarded. With no aircraft to work on due to the USG delay, the USG COR and RDS had a decision to make in whether it was more beneficial to keep the team on site in location or to redeploy the team home and send the team back when the GFE became available. Using all of the available information that the delay was not going to be a long one and that aircraft would be available in just a few days, the USG COR and RDS made the decision to keep the team on site. Key in this decision making process was cost, schedule, and performance and what was most beneficial to the USG. As you will see below, the cost of keeping the team on the ground in Kabul was less than redeploying the team their home station. The schedule of the project benefitted greatly because the team was able to complete the modifications much more quickly by staying on location compared to the weeks of delay that would have been caused if the team would have redeployed. If the team had redeployed, the knowledge base, team cohesiveness, and performance would have suffered because it is very possible different team members would have been used to meet the requirements of the contract. The formation of a completely new team for this effort would elevate the risk of successful performance of the contract greatly. Given the fact that these aircraft modifications were for aircraft that were directly involved in the completion of the mission in Afghanistan, successful integration of the AMPS modification within the limits of the schedule deemed necessary to support operational requirements was critical to this project.

The first main factor in why RDS made the decision to stay on site is because RDS knew that the GFE would be delivered in short order and that leaving would ultimately delay the project schedule and increase project cost and negatively affect mission readiness. The COR was in contact with the RDS PM and informing him daily of the status of arrival of the GFE (Attachment C). If the decision was made to redeploy the AAL team to Dubai it would have taken the team at a minimum several days to prepare the team to get back to Dubai (booking last second flights, close out of lodging, inventory all equipment and find a storage area for all existing equipment, turn in rental vehicles, etc.), which takes a lot of time. Additionally, if the team leaves there is no guarantee that lodging will be available when they return, which could impact the schedule and performance of the project in a tremendous way. The amount of effort and coordination of completing this work overseas cannot be underestimated. It typically takes a team 2-3 months to obtain all documentation to deploy a team to support a project OCONUS. It truly is a common sense decision to keep the team on site if the delay is not a long one due to the cost and effort it takes to deploy a team OCONUS. Once on site in Dubai, with no work to do, AAL would have to pay this team daily to keep the team together to ensure once the GFE became available that they would be able to travel back to Kabul. Keeping the team together that has obtained all of the institutional/tribal knowledge on the aircraft is critical to project success. If a new team is brought on, the learning curve is

(Continued)

lost while new technicians become familiar with the aircraft, thus negatively affecting project cost and performance. Once the GFE became available, AAL would again have to book last second expensive flights, re-book lodging, rental cars, etc. and travel back to Kabul and this process would also take several days at a minimum and could possibly take up to a month. Additionally, there would most likely be losses to the team during the redeployment and AAL would have to incur the costs of hiring additional technicians to complete the work. The inherent risk presented due to the above issues elevates the risk of successful project performance within the schedule proposed.

Change Order 03 – ECA

Total \$12,641.44 (cost of keeping AAL on site in Kabul)

Compare this \$ 12,641.44 dollars to the cost impact that would occur if we re-deployed the entire 7 man team to Dubai. The redeployment itself would take one week at a minimum (2-3 days prep for redeployment, 1 day of travel both to Dubai and back to Kabul, which would cause more cost to be incurred than the 2 day delay of this ECA. RDS would be required to pay AAL for this re-deployment and the cost of this would far surpass the cost of the team staying on site for 2 days. Couple this with the cost of airline travel and this decision to stay on site and it is clear that it was in the best benefit of the USG from both a cost and schedule perspective.

- Daily rate to re-deploy team to Dubai (4 day effort for 7 man team) \$6,320.73 per day x 4=\$25,282.92 (4 days to re-deploy is conservative...it could take much longer)
- Daily rate to deploy the team from Dubai to Kabul for the return (4 day effort for 7 man team) \$6,320.73 per day=25,282.92 (4 days to re-deploy is conservative...it could take much longer)
- Flights from Kabul to Dubai for 6 people 459.54 per person x 6=\$2,757.24(conservative estimate because these would be last second flights and would be more expensive)
- Flights from Dubai to Kabul for 6 people \$459.54 per person x 6=\$2,757.24(conservative estimate because these would be last second flights and would be more expensive)
- Flight from Kabul to Dallas for the Program Manager \$1,286.26 (conservative estimate because these would be last second flights and would be more expensive)
- Flight from Dallas to Kabul for return of Program Manager \$1,286.26 (conservative estimate because these would be last second flights and would be more expensive)

**The numbers used above are the approved #'s that were used as part of the proposal to stay consistent with the cost of air travel. It is important to note that travel would have been much more expensive than what is proposed in this analysis due to the last second nature of booking travel that would be necessary.

As you can see basic costs alone for redeploying far outweigh the cost of staying on site. Keeping the team in Kabul was \$12,641.44 while redeploying the team would have been an estimated cost of \$53,079.40. This decision made by the COR and RDS to keep the team on site was a common sense decision and one that benefitted the USG. The delays in schedule due to waiting for the team to arrive back in Kabul would also have a huge negative impact on project schedule and mission readiness.

Change Order 05 – ECA

Total \$53,079.40 (cost if keeping AAL on site in Kabul)

- Daily rate to re-deploy team to Dubai (4 day effort for 7 man team) \$6,320.73 per day x 4=\$25,282.92 (4 days to re-deploy is conservative...it could take much longer)
- Daily rate to deploy the team from Dubai to Kabul for the return (4 day effort for 7 man team) \$6,320.73 per day=25,282.92 (4 days to re-deploy is conservative...it could take much longer)
- Flights from Kabul to Dubai for 6 people 459.54 per person x 6=\$2,757.24(conservative estimate because these would be last second flights and would be more expensive)
- Flights from Dubai to Kabul for 6 people \$459.54 per person x 6=\$2,757.24(conservative estimate because these would be last second flights and would be more expensive)

(Continued)

- Flight from Kabul to Dallas for the Program Manager \$1,286.26 (conservative estimate because these would be last second flights and would be more expensive)
- Flight from Dallas to Kabul for return of Program Manager \$1,286.26 (conservative estimate because these would be last second flights and would be more expensive)

Accounting for only the cost above the total to re-deploy the team would be \$58,652.84 as compared to the \$53,079.40 to keep the team on site. This is a conservative estimate given it routinely takes the team over a week to deploy and redeploy. This is not even accounting for the schedule delay that would have been caused and the possible decrease in performance on the contract due to loss of team members.

Communication with the COR

Additionally, the USG COR was on board with RDS's decision to keep the team in place because it was the best benefit for the USG for both cost and schedule of the project and was in contact with the RDS project manager in this decision making process the entire time. The COR and the RDS PM were in continuous contact regarding this decision. I have attached an email from the USG program manager explaining his position on keeping the team on site vs. re-deploying the entire team (Attachment C). The USG COR also conveyed his willingness to discuss this situation with anyone concerned and offered to answer any questions via telecom or in person, if necessary. If POC information is necessary, RDS can provide the contact information for the USG COR.

Finding 2019-02: Inadequate Documentation to Support Cost Reasonableness

Management Response:

Documenting price reasonableness for Micro-Purchases is not a FAR requirement as it would defeat the purpose of the Micro-Purchase threshold. The FAR requires only minimal documentation for Micro-Purchases in order to reduce time spent procuring items of nominal value. However, SES understands very well that the FAR does require the Buyer to make sure reasonable prices are paid for all purchases including Micro's. It is our position that the prices for our Micro-purchases are fair and reasonable because our Buyers and approval authorities review the price as a prudent person would do. The Micro-Purchase Threshold provides the Buyer an opportunity to use sound judgement based on experience and knowledge of the supply chain. Although competition isn't required for Micro-Purchases, the SES Buyers still compete them whenever possible. The Buyers are also driven by our procedures to use highly rated suppliers. The two key factors are as follows:

1. SES does make a determination of price reasonableness for Micro Purchases (FAR requirement)
2. SES does not document the Buyers determination of price reasonableness for Micro Purchases (Not a FAR requirement).

Finding 2019-03: Understated Revenue and Errors Identified in Notes to the SPFS

Management Response:

Management agrees with the finding.

Finding 2019-04: Incorrect Physical Inventory of Government Property and Items Not Disposed

Management Response:

SES provided a revised non-labor detail to the customer and the customer accepted the explanation from SES and found things to be fair and reasonable.

APPENDIX B – AUDITOR’S REBUTTAL

Crowe LLP (“Crowe” or “we” or “us”) has reviewed Redstone Defense Systems (“RDS” or “the Auditee”) management response to the audit findings. In consideration of the management views, Crowe has included the following rebuttal to certain matters presented by the Auditee. A rebuttal has been included in those instances where management disagreed with the facts presented within the condition or otherwise did not concur with Crowe’s recommendation. RDS disagreed with Findings 2019-01, 2019-02 and 2019-04. Crowe’s rebuttal to those findings follows.

Finding 2019-01: Unauthorized Equitable Cost Adjustments Charged to the Award

Management disagreed with Crowe’s conclusion that the costs in question were not allocable to the award because – in management’s estimate – the costs associated with the nonproductive time charged to the award were less than the cost of re-deploying personnel to Kabul.

We have reviewed the information provided by RDS, including management’s explanation for its decision to allow personnel to remain in Kabul and to charge the Government for time not worked by its personnel. We also noted that RDS did not provide documentation indicating that the Contracting Officer approved of these cost prior to billing the Government for idle time. We considered the response relative to the criteria cited within the finding and did not consider it to be supported by sufficient, appropriate audit evidence to prompt a change to the finding. Whereas work was not performed that benefits the delivery order during the time frames covered by the equitable cost adjustments and a lack of work is not necessary for the operation of the project, the costs do not comply with FAR 31.201-4, *Determining allocability*. In addition, charging the Government for costs associated with a subcontractor not working or traveling prior to arrival of the aircraft needed to perform the work does not appear reasonable, which is inconsistent with FAR 31.201-2, *Determining allowability*.

Accordingly, the finding and questioned cost remains unchanged.

Finding 2019-02: Inadequate Documentation to Support Cost Reasonableness

Management disagreed with Crowe’s conclusion that the costs in question were inadequately supported for cost reasonableness because they assert that FAR does not require them to maintain documentation supporting cost reasonableness for procurements below the micro purchase threshold. However, as stated in the criteria, FAR 31.201-2(d) states “A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements.” In addition, FAR 31.203 states, “If an initial review of the facts results in a challenge of a specific cost by the contracting officer or the contracting officer’s representative, the burden of proof shall be upon the contractor to establish that such cost is reasonable.” In consideration of these requirements, Crowe did not consider management’s assertion to be accurate and the finding has not been modified.

RDS also submitted current quotes using 2020 pricing for those sample selections referenced in finding 2019-02. Whereas it is unclear whether the items are of the same technical specifications required and the documentation was not completed contemporaneously, we cannot conclude that the costs are reasonable and in alignment with the required specifications of the Government. Therefore, we have not modified the questioned costs and will defer to the Contracting Officer regarding the adequacy of the 2020 documentation for purposes of modifying questioned costs.

(Continued)

Finding 2019-04: Incorrect Physical Inventory of Government Property and Items Not Disposed

Management disagreed with Crowe's conclusion that the final physical inventory was incorrect because management was subsequently able to provide a revised inventory detail to Army Contracting Command. The revised inventory and accompanying explanations of discrepancies was, per SES's note, accepted by ACC. Whereas the underlying error conditions noted in the finding were not disputed within management's response and new audit evidence was not provided, the finding remains unchanged.

(Continued)

APPENDIX C: DELIVERY ORDER 0703 PHYSICAL INVENTORY

Contained herein is an excerpt from the delivery order 0703 physical inventory developed by RDS and provided to Crowe for audit. Crowe takes no responsibility for the inventory's contents or its accuracy.

(Continued)

Source Data		INV Transaction by Proj From - CER	INV Transaction by Proj From - CER		Non-Labor Detail Report with PO - Impromptu	Non-Labor Detail Report with PO - Impromptu	INV Transaction by Proj From - CER	INV Transaction by Proj From - CER			
Part ID	Comments	Miscellaneous Receipt	Purchase Order Receipt	TOTAL INVENTORY	INVENTORY VS NLD DELTA	NLD QTY	NLD \$	Issue to Project/Account	Purchase Order Receipt \$	\$ Delta	Issue Delta
04-M-1/8		0	100	100	0	100	52	-100	52	-	-
04-M-3/16		0	100	100	0	100	52	-100	52	-	-
04-M-3/32		0	100	100	0	100	52	-100	52	-	-
04-M-5/32		0	100	100	0	100	52	-100	52	-	-
051131-06723	Vouchered amt discrepancy to PO for discount	0	2	2	0	2	52,6400	-2	52,6588	0.02	-
1009581-10		0	0	0	0	0	0	0	0	-	-
1009581-30		0	0	0	0	0	0	0	0	-	-
105A-9900-1700		0	1	1	0	1	1138	-1	1138	-	-
12129		0	20	20	0	20	110	-20	110	-	-
14011		0	4	4	0	4	16	-4	16	-	-
14121		0	1	1	0	1	73	-1	73	-	-
14122		0	1	1	0	1	35	-1	35	-	-
14606		0	4	4	0	4	80	-4	80	-	-
16901		0	3	3	0	3	9.9	-3	9.9	-	-
17102		0	100	100	0	100	149	-100	149	-	-
17103		0	100	100	0	100	153	-100	153	-	-
17106		0	50	50	0	50	138	-50	138	-	-
17112		0	100	100	0	100	162	-100	162	-	-
17113		0	100	100	0	100	166	-100	166	-	-
17131		0	100	100	0	100	191	-100	191	-	-
17132		0	100	100	0	100	170	-100	170	-	-
17133		0	100	100	0	100	191	-100	191	-	-
17143		0	50	50	0	50	104	-50	104	-	-
17169		0	50	50	0	50	95.5	-50	95.5	-	-
17198		0	50	50	0	50	127.5	-50	127.5	-	-
17255		0	6	6	0	6	389.7	-6	389.7	-	-
1ETT5		0	2	2	0	2	181.92	-2	181.92	-	-
1VNX7		0	4	4	0	4	320	-4	320	-	-
2006511		0	4	4	0	4	32.2	-4	32.2	-	-
210170	Issue delta: Reference PPT-000018 Tab: GFE from DO19;	0	0	0	0	0	0	-1	0	-	(1.00)
306-36		0	1	1	0	1	3.75	-1	3.75	-	-
30902		0	2	2	0	2	27.46	-2	27.46	-	-
30C523		0	4	4	0	4	960	-4	960	-	-
310-60		0	4	4	0	4	34	-4	34	-	-
4001		0	100	100	0	100	158	-100	158	-	-
409F02	Issue delta: Reference PPT-000018 Tab: GFE from DO19;	0	1	1	0	1	34.29	-2	34.29	-	(1.00)
43154		0	20	20	0	20	10	-20	10	-	-
43155		0	20	20	0	20	10	-20	10	-	-
43157		0	20	20	0	20	10	-20	10	-	-
43166		0	20	20	0	20	10	-20	10	-	-
43167		0	20	20	0	20	10	-20	10	-	-
43169		0	20	20	0	20	10	-20	10	-	-
43178		0	20	20	0	20	10	-20	10	-	-
43179		0	20	20	0	20	10	-20	10	-	-
43181		0	20	20	0	20	10	-20	10	-	-
45-128		0	1	1	0	1	31.91	-1	31.91	-	-
45-1611		0	1	1	0	1	213.26	-1	213.26	-	-
45-1987		0	1	1	0	1	213.26	-1	213.26	-	-
49-56-9624		0	1	1	0	1	15	-1	15	-	-
5050		0	4	4	0	4	144	-4	144	-	-
50N0F17W-NAT		0	27	27	0	27	304.02	-27	304.02	-	-
5690839		0	2	2	0	2	197.58	-2	197.58	-	-
5690847		0	2	2	0	2	194.64	-2	194.64	-	-
5690862		0	2	2	0	2	194.64	-2	194.64	-	-
5910411		0	1	1	0	1	99.95	-1	99.95	-	-
600-076	Issue delta: Reference PPT-000018 Tab: GFE from DO19;	0	1	1	0	1	2441	-2	2441	-	(1.00)
610000	G Abbrev Items acct for delta	2	0	2	-2	0	0	-2	0	-	-
69335		0	1	1	0	1	2750	-1	2750	-	-
69959		0	5	5	0	5	8562.7	-5	8562.7	-	-
6MR08		0	2	2	0	2	795.48	-2	795.48	-	-

Source Data		INV Transaction by Proj From - CER	INV Transaction by Proj From - CER		Non-Labor Detail Report with PO - Impromptu	Non-Labor Detail Report with PO - Impromptu	INV Transaction by Proj From - CER	INV Transaction by Proj From - CER			
Part ID	Comments	Miscellaneous Receipt	Purchase Order Receipt	TOTAL INVENTORY	INVENTORY VS NLD DELTA	NLD QTY	NLD \$	Issue to Project/Account	Purchase Order Receipt \$	\$ Delta	Issue Delta
71-040-PP-04		0	20	20	0	20	598.8	-20	598.8	-	-
71-PC-032-Y/1	Delta due to UofM; PO FT INV U/M IN	0	2400	2400	-2200	200	168	-2400	168	-	-
7558		0	1	1	0	1	36.96	-1	36.96	-	-
76381:8515	Inv U/M EA; B10 = box of 10	0	400	400	-360	40	1,218.4000	-400	1,218.4000	-	-
8040-00-092-2816	Inv U/M EA; P14 = Pack of 100; \$ delta due to rounding	0	1300	1300	-1287	13	1,365.3000	-1300	1,365.2600	(0.04)	-
86041282		0	2	2	0	2	324.92	-2	324.92	-	-
8AT-0001-510		0	2	2	0	2	352	-2	352	-	-
ACETONE1GL		0	25	25	0	25	516.2200	-25	516.2200	-	-
AF8		0	1	1	0	1	246.77	-1	246.77	-	-
AFM8		0	1	1	0	1	246.77	-1	246.77	-	-
AIRHOSE50		0	4	4	0	4	259.44	-4	259.44	-	-
AKZO NOBEL 58 SERIES FS 37038		0	2	2	0	2	1412	-2	1412	-	-
AKZO NOBEL 58 SERIES FS30215		0	2	2	0	2	1412	-2	1412	-	-
AKZO NOBEL 58 SERIES FS30400		0	2	2	0	2	1412	-2	1412	-	-
AKZO NOBEL 58 SERIES FS34088	Inv UM = OZ; 128 OZ per gallon; \$ Delta due to rounding	0	256	256	-254	2	1,412.0000	-256	1,411.9936	(0.01)	-
AKZO NOBEL 58 SERIOES FS30400		0	2	2	0	2	1,534.0000	-2	1,534.0000	-	-
AL 24. STANLEY		0	1	1	0	1	568	-1	568	-	-
ALODINE 1132 (TOUCH-N- PREP)	Vouchered amt discrepancy to PO within tolerance	0	21	21	0	21	2,166.4600	-21	2,166.3200	(0.14)	-
ALODINE 1201(QUART)	Vouchered amt discrepancy to PO within tolerance	0	55	55	0	55	929.8400	-55	929.7900	(0.05)	-
ALODINE 600		0	160	160	0	160	589.7	-160	589.696	(0.00)	-
AN3-6		0	50	50	0	50	15.5	-50	15.5	-	-
AND10133-1022	G Abbrev Items acct for delta	2	0	2	-2	0	0	-2	0	-	-
AT518PD		0	1	1	0	1	23	-1	23	-	-
AW62662		0	4	4	0	4	55.88	-4	55.88	-	-
BAT 3518-KIT12		0	1	1	0	1	319.95	-1	319.95	-	-
BAT-RSDK15		0	2	2	0	2	39.9	-2	39.9	-	-
BT-BS-609	Vouchered amt discrepancy to PO for discount	0	1	1	0	1	55.9700	-1	61.8200	5.85	-
CM0483928-10CC		0	310	310	0	310	2347.3	-310	2347.3	-	-
CP 101		0	108	108	0	108	324.54	-108	324.54	-	-
CP 27		0	120	120	0	120	822	-120	822	-	-
CS2000	Issue delta: Reference PPT-000018 Tab; GFE from DO19;	0	0	0	0	0	0	-1	0	-	(1.00)
DBS-2100		0	1	1	0	1	1632	-1	1632	-	-
DENATURED1GL	\$ delta due to discount on R19PP01673	0	13	13	0	13	176.2800	-13	176.4900	0.21	-
DLRO10HD	G Abbrev Items acct for delta	2	2	4	-2	2	7820	-7	7820	-	(3.00)
EA934		0	75	75	0	75	7791.64	-75	7791.64	-	-
EZ70016		0	3	3	0	3	136.54	-3	136.54	-	-
FLUKE 1507	Issue delta: Reference PPT-000018 Tab; GFE from DO19;	0	0	0	0	0	0	-1	0	-	(1.00)
FLUKE-1507	G Abbrev Items acct for delta	2	3	5	-2	3	1799.97	-9	1799.97	-	(4.00)
G784CLRA		0	1	1	0	1	3533.24	-1	3533.24	-	-
GOLDSOURCE GS-20		0	4	4	0	4	32	-4	32	-	-
H10-26		0	2	2	0	2	838	-2	838	-	-
H-1142		0	1	1	0	1	350	-1	350	-	-
H-2716		0	2	2	0	2	240	-2	240	-	-
H-3460BLU		0	1	1	0	1	47	-1	47	-	-
H-3473BLU		0	2	2	0	2	18.6	-2	18.6	-	-
H-4982		0	1	1	0	1	125	-1	125	-	-
H-5193		0	1	1	0	1	119	-1	119	-	-
H-525		0	1	1	0	1	12	-1	12	-	-
HD51		0	1	1	0	1	945.91	-1	945.91	-	-
HD51-105		0	1	1	0	1	175.55	-1	175.55	-	-
HDX 960362		0	6	6	0	6	89.82	-6	89.82	-	-
HST217		0	1	1	0	1	92	-1	92	-	-
HST327		0	1	1	0	1	146.05	-1	146.05	-	-
HX4		0	1	1	0	1	219.74	-1	219.74	-	-
K-177		0	100	100	0	100	131	-100	131	-	-
K2LA		0	1	1	0	1	27.41	-1	27.41	-	-
K40		0	1	1	0	1	40.33	-1	40.33	-	-
K42		0	1	1	0	1	40.33	-1	40.33	-	-
M5XQLJCCSEN		0	1	1	0	1	35.98	-1	35.98	-	-
M81969/14-01		0	381	381	0	381	175.98	-381	175.98	-	-

Source Data		INV Transaction by Proj From - CER	INV Transaction by Proj From - CER		Non-Labor Detail Report with PO - Impromptu	Non-Labor Detail Report with PO - Impromptu	INV Transaction by Proj From - CER	INV Transaction by Proj From - CER			
Part ID	Comments	Miscellaneous Receipt	Purchase Order Receipt	TOTAL INVENTORY	INVENTORY VS NLD DELTA	NLD QTY	NLD \$	Issue to Project/Account	Purchase Order Receipt \$	\$ Delta	Issue Delta
M81969/14-02		0	81	81	0	81	28.35	-81	28.35	-	-
M81969/14-04		0	81	81	0	81	29.16	-81	29.16	-	-
MASEC100K		0	1	1	0	1	55.64	-1	55.64	-	-
MASPH-1400K	Issue delta: Reference PPT-000018 Tab: GFE from DO19;	0	0	0	0	0	0	-3	0	-	(3.00)
M-COAT A KIT	Vouchered amt discrepancy to PO within tolerance	0	28	28	0	28	6,593.4300	-28	6,593.1000	(0.33)	-
MIL-PRF-81309, TY2, CL2		0	13	13	0	13	108.19	-13	108.19	-	-
MIL-PRF-81733		0	10	10	0	10	1773.5	-10	1773.5	-	-
MIL-PRF-81733 TY II-2 CL1 GRA		0	80	80	0	80	524.2	-80	524.2	-	-
MP008	R18PP01561,not yet vouchered; R19PP01716 vouchered	0	160	160	-160	0	-	-160	220.9344	220.93	-
MS20426AD3-3		0	1000	1000	0	1000	8.2	-1000	8.2	-	-
MS20426AD3-4		0	1000	1000	0	1000	8.2	-1000	8.2	-	-
MS20426AD3-5		0	1000	1000	0	1000	8.1	-1000	8.1	-	-
MS20426AD4-3		0	1000	1000	0	1000	8.1	-1000	8.1	-	-
MS20426AD4-4		0	1000	1000	0	1000	8.1	-1000	8.1	-	-
MS20426AD4-5		0	1000	1000	0	1000	9.1	-1000	9.1	-	-
MS20426AD4-6		0	1000	1000	0	1000	19	-1000	19	-	-
MS20426AD5-3		0	1000	1000	0	1000	12	-1000	12	-	-
MS20426AD5-4		0	1000	1000	0	1000	12	-1000	12	-	-
MS20426AD5-5		0	1000	1000	0	1000	15	-1000	15	-	-
MS20426AD5-6		0	1000	1000	0	1000	15	-1000	15	-	-
MS20426AD5-7		0	1000	1000	0	1000	15	-1000	15	-	-
MS20470AD3-3		0	1000	1000	0	1000	8.2	-1000	8.2	-	-
MS20470AD3-4		0	1000	1000	0	1000	8.2	-1000	8.2	-	-
MS20470AD3-5		0	1000	1000	0	1000	10	-1000	10	-	-
MS20470AD3-6		0	1000	1000	0	1000	9.3	-1000	9.3	-	-
MS20470AD3-7		0	1000	1000	0	1000	13	-1000	13	-	-
MS20470AD4-3		0	100	100	0	100	1	-100	1	-	-
MS20470AD4-4		0	11000	11000	0	11000	110.2	-11000	110.2	-	-
MS20470AD4-5		0	4000	4000	0	4000	74.7	-4000	74.7	-	-
MS20470AD4-6		0	1000	1000	0	1000	11	-1000	11	-	-
MS20470AD4-7		0	1000	1000	0	1000	11	-1000	11	-	-
MS20470AD5-3		0	1000	1000	0	1000	10.8	-1000	10.8	-	-
MS20470AD5-4	\$ Delta due to rounding; net unit cost .015	0	1000	1000	0	1000	15.3100	-1000	15.3000	(0.01)	-
MS20470AD5-5		0	1000	1000	0	1000	15.5	-1000	15.5	-	-
MS20470AD5-6		0	1000	1000	0	1000	20	-1000	20	-	-
MS20470AD5-7		0	1000	1000	0	1000	20.0000	-1000	20.0000	-	-
MS20995C20	U/M Discrepancy LB1=935 FT; \$ delta due to rounding fr	0	1870	1870	-1868	2	13.9200	-1870	13.8380	(0.08)	-
MS20995C32		0	2	2	0	2	13.26	-2	13.26	-	-
MS21919WDG12		0	50	50	0	50	39	-50	39	-	-
MS21919WDG18		0	50	50	0	50	33	-50	33	-	-
MS21919WDG48		0	50	50	0	50	98	-50	98	-	-
MS21919WDG5		0	50	50	0	50	23	-50	23	-	-
MS21919WDG8		0	50	50	0	50	25.5	-50	25.5	-	-
MS3367-1-0		0	27000	27000	0	27000	486.0000	-27000	486.0000	-	-
MSC75870592		0	100	100	0	100	185	-100	185	-	-
MSC82688748		0	1	1	0	1	48.42	-1	48.42	-	-
NAS603-8P		0	300	300	0	300	30	-300	30	-	-
P421-1-NAT		0	27	27	0	27	2295	-27	2295	-	-
PS-190B-50PK		0	1	1	0	1	45.53	-1	45.53	-	-
PS870B2		0	110	110	0	110	17280.16	-110	17280.16	-	-
PWC201	UofM discrepancy, CS5 = Case of 12	0	12	12	-11	1	233.4500	-12	233.4504	0.00	-
PWC277 GRAY/BLUE, FS 35237		0	38	38	0	38	4021.54	-38	4021.54	-	-
PWC285 OLIVE DRAB, FS 34088		0	50	50	0	50	5341.54	-50	5341.54	-	-
PWC297		0	2	2	0	2	61.54	-2	61.54	-	-
PWC686 TAN, FS 33446		0	62	62	0	62	6661.54	-62	6661.54	-	-
QD1R200	Issue delta: Reference PPT-000018 Tab: GFE from DO19;	0	2	2	0	2	310.96	-3	310.96	-	(1.00)
QD1R50	Issue delta: Reference PPT-000018 Tab: GFE from DO19;	0	2	2	0	2	310.96	-3	310.96	-	(1.00)
RMK120	Issue delta: Reference PPT-000018 Tab: GFE from DO19;	0	0	0	0	0	0	-1	0	-	(1.00)
RMK123AV	Issue delta: Reference PPT-000018 Tab: GFE from DO19;	0	0	0	0	0	0	-1	0	-	(1.00)
RMK124SM	Issue delta: Reference PPT-000018 Tab: GFE from DO19;	0	0	0	0	0	0	-1	0	-	(1.00)

Source Data		INV Transaction by Proj From - CER	INV Transaction by Proj From - CER		Non-Labor Detail Report with PO - Impromptu	Non-Labor Detail Report with PO - Impromptu	INV Transaction by Proj From - CER	INV Transaction by Proj From - CER				
Part ID	Comments	Miscellaneous Receipt	Purchase Order Receipt	TOTAL INVENTORY	INVENTORY VS NLD DELTA	NLD QTY	NLD \$	Issue to Project/Account	Purchase Order Receipt \$	\$ Delta	Issue Delta	
RMK125SM	Issue delta: Reference PPT-000018 Tab; GFE from DO19;	0	0	0	0	0	0	-1	0	-	(1.00)	
RMK129AV	Issue delta: Reference PPT-000018 Tab; GFE from DO19;	0	0	0	0	0	0	-1	0	-	(1.00)	
S1125-KIT-5		0	3	3	0	3	28.84	-3	28.84	-	-	
S-15320		0	4	4	0	4	108	-4	108	-	-	
S-15344		0	2	2	0	2	60	-2	60	-	-	
S-15604	Qty delta due to R18PP01549 P12 vs Inv EA. P12 = pack	0	28	28	-23	5	75.0000	-28	79.0000	4.00	-	
S-15605	UofM delta. P12=Pack of 24	0	24	24	-23	1	14.0000	-24	13.9992	(0.00)	-	
S-15607		0	2	2	0	2	34	-2	34	-	-	
S-18731		0	12	12	0	12	1380	-12	1380	-	-	
S-18991		0	1	1	0	1	14	-1	14	-	-	
S-19178		0	2	2	0	2	28	-2	28	-	-	
S-7023		0	20	20	0	20	37	-20	37	-	-	
S-7166		0	120	120	0	120	4080	-120	4080	-	-	
S-872		0	700	700	0	700	126	-700	126	-	-	
S-9643X		0	18	18	0	18	216	-18	216	-	-	
S-9876		0	1	1	0	1	73	-1	73	-	-	
SCOTCH 70	UofM delta. Inv = IN	0	27	27	0	27	1,615.9500	27	1,615.9500	-	54.00	
ST1270		0	2	2	0	2	51	-2	51	-	-	
TEXC2003TFU	Issue delta: Reference PPT-000018 Tab; GFE from DO19;	0	0	0	0	0	0	-2	0	-	(2.00)	
TH163		0	1	1	0	1	86.06	-1	86.06	-	-	
TH1A		0	1	1	0	1	86.06	-1	86.06	-	-	
TL1885-ND		0	4	4	0	4	340.64	-4	340.64	-	-	
TQSSC2.5FUA		0	1	1	0	1	274.5	-1	274.5	-	-	
WD1001	Issue delta: Reference PPT-000018 Tab; GFE from DO19;	0	0	0	0	0	0	-1	0	-	(1.00)	
WX1	Reference PPT-000018 Tab; GFE from DO192 to be used	0	0	0	0	0	0	-1	0	-	(1.00)	
XFD10R		0	2	2	0	2	338	-2	338	-	-	
Grand Total		8	77916	77924	-6194	71730	125535.14	-77896	125765.4904	230.3504		

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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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- U.S. fax: +1-703-601-4065

Public Affairs

Public Affairs Officer

- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202