

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 25-15 Financial Audit

Department of Defense's Afghan National Tracking System Support Program: Audit of Costs Incurred by Raytheon Blackbird Technologies Inc.

In accordance with legal requirements, SIGAR has redacted from this report certain information because it is proprietary, could impact public safety, privacy, or security, or is otherwise sensitive.



**FEBRUARY
2025**

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On January 10, 2019, the Department of Defense (DOD) Space and Naval Warfare Systems Center, later renamed Naval Information Warfare Systems Command Atlantic, awarded a 5-year, \$4,795,447 delivery order to Raytheon Blackbird Technologies Inc. (RBT) to support the Afghan National Tracking System Support (ANTS) program. The program's objectives were to, among other things, provide training and sustainment services to support fielded devices, such as data loggers and beacons in both vehicle and aviation platforms, network operations for the ANTS program and to transfer ANTS subject matter expertise to the Afghan National Defense and Security Forces and the Afghan Ministries of Defense and Interior. DOD modified the delivery order 11 times; the modifications increased the total funding to \$15,793,838. Due to the U.S. military withdrawal from Afghanistan in August 2021, the delivery order was terminated effective October 31, 2021.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed ██████████ in costs charged to the delivery order from January 12, 2019, through October 31, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in RBT's internal controls related to the award; (2) identify and report on instances of material noncompliance with the terms of the award and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether RBT has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of RBT's Special Purpose Financial Statement (SPFS). See Conrad'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 Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

February 2025

Department of Defense's Afghan National Tracking System Support Program: Audit of Costs Incurred by Raytheon Blackbird Technologies Inc.

SIGAR 25-15-FA

WHAT SIGAR FOUND

Conrad identified three significant deficiencies in RBT's internal controls and three instances of noncompliance with the terms of the delivery order. Conrad found that RBT charged DOD for travel costs that were not compliant with the Fly American Act (FAA). The travel costs charged included non-U.S.-flagged flights between Dubai and international airports located in the United States and Germany. Conrad also identified other direct cost charges for which there was no documentation identifying what the costs represented. In addition, Conrad found that RBT overcharged for Danger Pay and Hardship Pay in the amount of \$16,178. RBT was notified of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and instances of noncompliance, Conrad identified a total of \$57,876 in questioned costs, consisting of \$16,178 in ineligible costs—costs prohibited by the delivery order and applicable laws and regulations, and \$41,698 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Total Cost-Plus-Fixed-Fee	\$16,178	\$41,698	\$57,876
Total Firm-Fixed-Price	\$0	\$0	\$0
Total Costs	\$16,178	\$41,698	\$57,876

Conrad identified findings in one prior audit report that could have a material effect on the SPFS or other financial data significant to the audit objectives. The report had four findings and accompanying recommendations. Conrad conducted follow-up procedures and concluded that RBT had taken adequate corrective action on all four of the findings.

Conrad issued an unmodified opinion on RBT's SPFS, noting it presents fairly, in all material respects, revenues received, and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at DOD:

1. Determine the allowability of and recover, as appropriate, \$57,876 in questioned costs identified in the report.
2. Advise RBT to address the report's three internal control findings.
3. Advise RBT to address the report's three noncompliance findings.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

February 12, 2025

The Honorable Pete Hegseth
Secretary of Defense

The Honorable Terence G. Emmert
Acting Secretary of the Navy

Captain Matthew R. O'Neal
Commanding Officer, Naval Information
Warfare Systems Command Atlantic

We contracted with Conrad LLP (Conrad) to audit the costs incurred by Raytheon Blackbird Technologies Inc. (RBT) under a delivery order from the Department of Defense's (DOD) Space and Naval Warfare Systems Center, later renamed Naval Information Warfare Systems Command Atlantic, to support the Afghan National Tracking System Support (ANTS) program.¹ The program's objectives were to, among other things, provide training and sustainment services to support fielded devices, network operations for the ANTS program, and to transfer ANTS subject matter expertise to the Afghan National Defense and Security Forces and the Afghan Ministries of Defense and Interior. Conrad reviewed [REDACTED] in costs charged to the delivery order from January 12, 2019, through October 31, 2021. Our contract with Conrad 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 DOD:

- 1. Determine the allowability of and recover, as appropriate, \$57,876 in questioned costs identified in the report.**
- 2. Advise RBT to address the report's three internal control findings.**
- 3. Advise RBT to address the report's three noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. In connection with the contract, we reviewed Conrad's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on RBT's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated January 22, 2025, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for completion for the recommendations to sigar.pentagon.audits.mbx.recommendation-followup@mail.mil, within 60 days from the issue date of this report.

Gene Aloise
Acting Inspector General
for Afghanistan Reconstruction

(F-299)

¹ The delivery order no. is N6523619F3031 under contract no. N6523618D4804

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the Naval Information Warfare Systems Command Atlantic
in support of the Afghan National Tracking System Support Program

For the period January 12, 2019, through October 31, 2021

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January 28, 2025

Board of Directors
Raytheon Blackbird Technologies, Inc.
Herndon, VA

Special Inspector General for Afghanistan Reconstruction (SIGAR)
2530 Crystal Drive
Arlington, VA 22202

Conrad LLP (Conrad or we) hereby provides to you our final report, which reflects results from the procedures we completed during our audit of Raytheon Blackbird Technologies, Inc.'s Special Purpose Financial Statement under Contract No. N6523618D4804 Delivery Order No. N6523619F3031 awarded by the Naval Information Warfare Systems Command Atlantic for the period of January 12, 2019 through October 31, 2021, supporting the Afghan National Tracking System Support Program.

On November 27, 2024, we provided SIGAR with a draft report reflecting our audit procedures and results. Raytheon Blackbird Technologies, Inc. (RBT) received a copy of the report on December 19, 2024 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and Raytheon Blackbird Technologies, Inc.'s responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

Thank you for providing us the opportunity to work with you, and to conduct the audit of this Contract.

Sincerely,

A handwritten signature in blue ink, appearing to read "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA
Partner

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the Naval Information Warfare Systems Command Atlantic
in support of the Afghan National Tracking System Support Program

For the period January 12, 2019 through October 31, 2021

Background

On January 10, 2019, the United States Department of Defense's (DOD) Space and Naval Warfare Systems Center (SPAWAR), later renamed Naval Information Warfare Systems Command Atlantic (NIWC Atlantic), awarded a 5-year, combination cost-plus fixed-fee (CPFF) and firm-fixed-price (FFP) Contract No. N6523618D4804 Delivery Order (Order) No. N6523619F3031, with an effective award date of January 12, 2019, to Raytheon Blackbird Technologies, Inc. (RBT), in support of Afghan National Tracking System Support program (ANTS). The period of performance was five years with a twelve-month base period and four 12-month option periods between January 2019 and January 2024. However, due to the United States military withdrawal from Afghanistan in August 2021, the Order was terminated early, ending the period of performance on October 31, 2021.

The purpose of the delivery order was to provide training and sustainment services to support fielded devices, network operations for the ANTS program, and to transfer ANTS subject matter expertise to the former Afghan National Defense and Security Forces and the former Afghan Ministries of Defense and Interior. RBT was also tasked with providing equipment in support of the program.

The scope of work consists of network architecture, operations, device management, training, and maintenance services, to include the installation of Iridium or other tracking devices in both vehicle and aviation platforms. The development of Program of Instruction (POI) for all devices and network configurations and operations in support of fielded Afghan units, teams, and elements both ground and airborne. This includes the training and instruction for operations, and maintenance, of vehicles, aviation, and operations for all fixed and mobile devices to include network operations and server support. This fully functional and robust capability is designed for a total force operation intended to monitor and de-conflict green on green, green on blue with Position Location Information (PLI) devices to unilaterally operate, maintain, and sustain Host Nation Operations. Four (4) performances have been specified for the RBT and the funds under the Delivery Order were to support RBT in providing services to the following performances:

- **TASK 1 Ministry of Defense (MoD) MIPR**
In support of Afghan MoD initiatives, RBT shall provide ANTS training instruction to the Afghan MoD elements/organizations in order to enable forces to unilaterally operate, maintain, and sustain ANTS capabilities in Afghan service and/or inventory.
- **TASK 2 Ministry of Interior (MoI) MIPR**
In support of Afghan MoI initiatives, RBT shall provide training instruction to the Afghan National Security Forces (ANSF) elements to enable forces to unilaterally operate, maintain, and sustain ANTS capabilities in Afghan service and/or inventory.
- **TASK 3 Afghan National Army (ANA)**
In support of ANA-ANTS initiatives, RBT shall provide Technical and Training instruction to the ANA elements/organizations in order to enable forces to unilaterally operate ANTS capabilities in area of operations.

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
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- **TASK 4 Technical Insertion (MIPR-)**

The scope of this effort is to procure designated systems and items of equipment in support of the ANTS Host Nation program. The procurement will support the ANTS technical insertion of equipment to mitigate the risk of obsolescence of existing devices and technology.

As detailed in the *Summary of Order* below, the original period of performance was January 12, 2019 through January 11, 2020, with a total estimated amount of \$4,795,447 and with options to extend through January 11, 2024. The Contract was modified 12 times to modify the options years, incrementally add or de-obligate funds, re-align budget amounts, terminate the contract effective October 31, 2021, and increase the Contract amount to \$15,793,838.

Summary of Order

Contract Number/ Delivery Order Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
N6523618D4804/ N6523619F3031*	\$4,795,447	01/12/19	01/11/24	11 ¹	\$15,793,838	10/31/21

* - Close-out award

Raytheon Blackbird Technologies, Inc. is an Original Equipment Manufacturer (OEM) and service provider that specializes in advanced situational awareness capabilities, secure communications systems, and deployed subject matter expertise to military, law enforcement, commercial and government customers worldwide. Blackbird Technologies delivers, integrates, and operationalizes hardware and software tools that enables customers to securely communicate and safely connect across all domains. Raytheon Blackbird Technologies, Inc. builds and deploys secure, hybrid cloud networks for customers with mission-specific requirements.

Work Performed

Conrad LLP (Conrad) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of the Order, as mentioned above, of RBT's Special Purpose Financial Statement (SPFS) for revenue received and cost incurred under the Program totaling [REDACTED] for the period of performance from January 12, 2019 through October 31, 2021.

¹ Please note that the eleventh modification was name "P00013", which was not in sequential order.

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the Naval Information Warfare Systems Command Atlantic
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For the period January 12, 2019 through October 31, 2021

Objectives, Scope, and Methodology

Audit Objectives

The objectives of the audit of the aforementioned Order include the following:

- *Special Purpose Financial Statement* – Express an opinion on whether RBT's SPFS for the Order presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. government, and the balance for the period audited in conformity with the terms of the Order and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of RBT's internal controls related to the Order, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether RBT complied, in all material respects, with the Order requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Order and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether RBT has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Scope

The scope of this audit included all costs incurred during the period of January 12, 2019 through October 31, 2021, totaling [REDACTED], under the Order. Our testing of the indirect cost charged to the Order was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (NICRA) and subsequent applicable amendments.

Audit Methodology

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

Entrance Conference

An entrance conference was held on March 13, 2024, with representatives of RBT, Conrad, SIGAR, and DOD participating via conference call. The purpose of the entrance conference was to discuss the nature,

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Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
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timing, and extent of audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of RBT. The scope of our audit includes RBT's management and employees, internal and external factors that affected operations, accounting policies and procedures. We gained an understanding of RBT through interviews, observations, and reading policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
 - Delivery Order and modifications;
 - The Standards for Internal Control in the Federal Government (GAO-14-704G: Published: September 10, 2014);
 - Federal Acquisition Regulation (FAR) Parts 31 and 52, as amended;
 - Defense Federal Acquisition Regulation Supplement (DFARS), Part 231;
 - Terms of the Order between DoD and RBT; and
 - RBT's Policies and Procedures
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs were properly recorded.

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Order, and the applicable general ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Order;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and

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Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
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- Recalculated the indirect cost using the approved provisional negotiated indirect cost rates to ensure that the rate was accurately applied.

Internal Controls Related to the Order

We reviewed RBT's internal controls related to the Order to gain an understanding of the implemented system of internal control to obtain reasonable assurance of RBT's financial reporting function and compliance with applicable laws and regulations. This review was accomplished through interviews with management and key personnel, reviewing policies and procedures, and identifying key controls within significant transaction cycles and testing those key controls.

Compliance with the Order Requirements and Applicable Laws and Regulations

We performed tests to determine whether RBT complied, in all material respects, with the Order requirements, FAR 31, FAR 52, DFARS 231, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with the terms of the Order and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from RBT and SIGAR, and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on RBT's SPFS. In addition, we conducted a search online of various governmental websites including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on RBT's SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 27.

Exit Conference

An exit conference was held on November 15, 2024, via conference call. Participants included representatives from Conrad, RBT, SIGAR, and DOD. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

We have summarized the details of these results in the Findings and Questioned Costs subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS.

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
 Contract No. N6523618D4804 Delivery Order No. N6523619F3031
 Awarded by the Naval Information Warfare Systems Command Atlantic
 in support of the Afghan National Tracking System Support Program

For the period January 12, 2019 through October 31, 2021

We identified \$57,876 in total questioned costs, which comprised \$16,178 in ineligible costs and \$41,698 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Order’s provisions or applicable laws and regulations, or not related to the Order. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on RBT’s SPFS. In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

Internal Controls

Our audit identified three (3) internal control findings that are considered to be significant deficiencies. See *Independent Auditor’s Report on Internal Control* on page 16.

Compliance

The results of our testing identified three (3) instances of noncompliance. See the *Independent Auditor’s Report on Compliance* on page 18.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. RBT stated there were no instances of alleged fraud that could have a potential impact on the Delivery Order and the SPFS. As such, there are no further communications warranting additional consideration.

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2024-01	Non-compliance and Internal Control – Significant Deficiency	Noncompliance with Fly America Act	\$ -	\$ 21,202	\$ 21,202

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
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2024-02	Non-compliance and Internal Control – Significant Deficiency	Lacked sufficient support to substantiate costs charged to Order	-	20,496	41,698
2024-03	Non-compliance and Internal Control – Significant Deficiency	Overcharge for Danger Pay and Hardship Pay	16,178	-	57,876
Total Questioned Costs			\$ 16,178	\$ 41,698	\$ 57,876

Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from RBT, SIGAR, and DOD pertinent to RBT’s activities under the Order. We identified one (1) prior audit report that contained four (4) findings and associated recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. We concluded that RBT had taken adequate corrective actions on all four prior audit findings and associated recommendations. See *Status of Prior Audit Findings* on page 27 for a detailed description of the prior findings and recommendations.

Summary of RBT’s Responses to Findings

The following represents a summary of the responses provided by RBT to the findings identified in this report (the complete responses received can be found in *Appendix A* starting at page 29 of this report):

- (1) **Finding 2024-01:** RBT disagreed with the finding and the auditor’s recommendations. RBT confirmed its belief that its processes and controls governing Fly America Act compliance were appropriate for the period under audit. RBT indicated that there were several challenges to providing requested audit support but asserted that the questioned expenditures were compliant with requirements. RBT also indicated that it felt the questioned amount was overstated.

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Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
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in support of the Afghan National Tracking System Support Program

For the period January 12, 2019 through October 31, 2021

- (2) **Finding 2024-02:** RBT disagreed with the finding and the auditor's recommendations by providing a detailed response and reiterating its position that the documentation provided to auditors was sufficient to substantiate costs. For an instance involving freight charges, RBT did not expressly agree or disagree but acknowledged it could not provide an invoice as requested. For an instance involving allocated costs, RBT disagreed with the finding. For an instance involving lodging expense, RBT disagreed with the finding and believed the questioned cost was overstated with remaining costs being immaterial (i.e., \$342.50). For an observation involving discrepant proof of payment, RBT concurred with the discrepancy but believed the support provided was sufficient and that the questioned amount was immaterial (i.e., \$210).
- (3) **Finding 2024-03:** RBT disagreed with the finding and the auditor's recommendations. RBT believed that it priced Danger and Hardship premiums appropriately and emphasized that the contract requirements and proposal did not require it to use of the Department of State Standardized Regulations (DSSR) allowances rate to determine the premiums.

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INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
Raytheon Blackbird Technologies, Inc.
Herndon, VA

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of Raytheon Blackbird Technologies, Inc. (RBT) and the related notes to the Special Purpose Financial Statement (SPFS), with respect to the Contract No. N6523618D4804 Delivery Order No. N6523619F3031 (Order) awarded by the United States Department of Defense's (DOD) Space and Naval Warfare Systems Center (NIWC Atlantic) to support the Afghan National Tracking System Support Program (ANTS), for the period of January 12, 2019 through October 31, 2021.

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred, and balances for the indicated period of January 12, 2019 through October 31, 2021, in accordance with the terms of the Order and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of Raytheon Blackbird Technologies, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Presentation and Accounting

We draw attention to Note 1 and 3 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 3 to the Special Purpose Financial Statement, the statement is prepared by Raytheon Blackbird Technologies, Inc. on the basis of the requirements provided by SIGAR, which is a basis of accounting in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the requirements provided by SIGAR. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial Statement that it is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Raytheon Blackbird Technologies, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 22, 2025 on our consideration of Raytheon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Order, and other matters. The purpose of these reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Raytheon's internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of Raytheon Blackbird Technologies, Inc., the United States Department of Defense, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to the United States Congress and the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, slightly stylized font.

Lake Forest, California
January 22, 2025

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
 Contract No. N6523618D4804 Delivery Order No. N6523619F3031
 Awarded by the Naval Information Warfare Systems Command Atlantic
 in support of the Afghan National Tracking System Support Program

For the period January 12, 2019 through October 31, 2021

Special Purpose Financial Statement

Revenues	Budget	Actual	Questioned Costs			Notes
			Ineligible	Unsupported	Total	
Award #1 CPFF	\$ [REDACTED]	\$ [REDACTED]	\$ -	\$ -	\$ -	
Award #2 FFP	[REDACTED]	[REDACTED]	-	-	-	
Total Revenues	<u>18,575,880</u>	[REDACTED]	<u>-</u>	<u>-</u>	<u>-</u>	5
Costs Incurred						
CPFF		[REDACTED]	16,178	41,698	57,876	A
FFP		[REDACTED]	-	-	-	
Total Costs Incurred	<u>\$ 18,575,880</u>	<u>\$ [REDACTED]</u>	<u>\$ 16,178</u>	<u>\$ 41,698</u>	<u>\$ 57,876</u>	A
Outstanding Fund Balance	<u>\$ -</u>	<u>\$ -</u>				7

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

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the Naval Information Warfare Systems Command Atlantic
in support of the Afghan National Tracking System Support Program

For the period January 12, 2019 through October 31, 2021

Notes to Special Purpose Financial Statement¹

(1) Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Afghan National Tracking System Support (ANTS) Contract Number N6523618D4804, Delivery Order Number N6523619F3031 for the period January 12, 2019 through October 31, 2021. 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 the aforementioned Federal Contract Number N6523618D4804, Delivery Order Number N6523619F3031. Because the Statement presents only a selected portion of the operations of Raytheon Blackbird Technologies (RBT), it is not intended to and does not present the financial position, changes in net assets, or cash flows of RBT. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Program Status

Contract Number N6523618D4804, Delivery Order Number N6523619F3031 was decreased to the end of the audit period to October 31, 2021, via modification P00010. On November 10, 2021, DOD NAVWAR-NIWC Atlantic executed Modification P00013 to decrease funding the ANTS.

(3) Basis of Accounting

Expenditures reported on the Statement are reported on costs incurred. Such expenditures are recognized following the cost principles contained in U.S. GAAP, FAR, and Cost Accounting Standards ("CAS"), wherein certain types of expenditures are not allowable or are limited to reimbursement.

(4) Foreign Currency Conversion Method

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

(5) Revenues

Budgeted revenues in the Statement represent the amount of funds to which RBT is entitled to receive from the Department of Defense under the contract during the period of performance.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of RBT.

Raytheon Blackbird Technologies, Inc.

Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the Naval Information Warfare Systems Command Atlantic
in support of the Afghan National Tracking System Support Program

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Notes to Special Purpose Financial Statement¹
(Continued)

(6) Cost Incurred by Budget Category

The budget categories presented, and associated amounts reflect the budget line items presented within Contract Number N6523618D4804, Delivery Order Number N6523619F3031, original award through modification P00013.

(7) Fund Balance

There is no outstanding fund balance.

(8) Currency

All amounts presented are shown in U.S. dollars.

(9) Overhead and General and Administrative Cost

RBT uses a U.S. government approved system compliant with all Cost Accounting Standards (FAR Part 30) and invoices the Government per each Business Unit's disclosure statement for handling direct and indirect costs. Raytheon uses Divisional Administrative Contracting Officer (DACO) approved provisional billing rates as per FAR 42.704 to invoice overhead and general and administrative costs.

(10) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the January 19, 2019, through October 31, 2021, period covered by the SPFS. Management has performed their analysis through January 22, 2025.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of RBT.

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
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For the period January 12, 2019 through October 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Cost Plus Fixed Fee (CPFF)

CPFF consists of CLINs 0002, 0102, 0202, 0203, 1002, 1102, 1202, 1203, 2002, 2102, 2202, 2203. RBT reported a total of [REDACTED] for CPFF costs for the period of January 12, 2019 through October 31, 2021. CLINs listed above include costs related to General and Administrative (G&A), Labor, Materials, Other Direct Costs (ODC), Travel, and Subcontractors.

Finding 2024-01

- During our audit of Travel related costs, we noted eight (8) instances in which RBT charged unsupported costs due to not having adequate documentation to support waiver from Fly America Act compliance which resulted in \$18,327 questioned costs, and associated G&A of \$2,875, totaling \$21,202 of unsupported costs. See **Findings No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.

Finding 2024-02

- During our testing of ODC related costs, we noted three (3) instances where RBT charged unsupported costs due to inadequate supporting documents which resulted \$16,838 in questioned costs, and associated G&A of \$2,828, totaling \$19,666 of unsupported costs.
- During our testing of Travel related costs, we noted one (1) instant where RBT charged unsupported costs due to inadequate supporting documents which resulted in \$500 questioned costs, and associated G&A of \$84, totaling \$584 of unsupported costs.
- During our audit of Subcontractor related costs, we noted two (2) instances in which RBT charged unsupported costs due to not having adequate supporting documents which resulted in \$210 questioned costs, and associated G&A of \$36, totaling \$246 of unsupported costs.

As a result, we identified \$20,496 in questioned costs related to this finding. See **Findings No. 2024-02** in the *Schedule of Findings and Questioned Costs* section of this report.

Finding 2024-03

- During our audit of ODC related costs, we noted fourteen (14) instances in which RBT charged ineligible costs due to the overcharge of Danger Pay and Hardship Pay which resulted in \$13,904 questioned costs, and associated G&A of \$2,274, totaling \$16,178 of ineligible questioned costs. See **2024-03** in the *Schedule of Findings and Questioned Costs* section of this report.

All findings above resulted in a total questioned costs of \$57,876, which comprised \$16,178 in ineligible costs and \$41,698 in unsupported costs.

² The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
Raytheon Blackbird Technologies, Inc.
Herndon, VA

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

We have audited, the Special Purpose Financial Statement (Statement) and related notes to the Statement, 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, by Raytheon Blackbird Technologies, Inc. (RBT) under Contract No. N6523618D4804 (Contract) Delivery Order No. N6523619F3031 in support of the Afghan National Tracking System Support Program for the period of January 12, 2019 through October 31, 2021. We have issued our report thereon dated January 22, 2025 with an unmodified opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of January 12, 2019 through October 31, 2021, we considered Raytheon Blackbird Technologies Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of Raytheon Blackbird Technologies, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Raytheon Blackbird Technologies, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified three (3) significant deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Findings 2024-01, 2024-02, 2024-03 are considered to be significant deficiencies.

Raytheon Blackbird Technologies, Inc.'s Response to Findings

Raytheon Blackbird Technologies, Inc.'s response to the findings identified in our audit is included verbatim at Appendix A. Raytheon Blackbird Technologies, Inc.'s response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control, and the result of that testing, and not to provide an opinion on the effectiveness of Raytheon Blackbird Technologies, Inc.'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 Raytheon Blackbird Technologies, Inc., the United States Department of Defense, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905, should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.



Lake Forest, California
January 22, 2025

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
Raytheon Blackbird Technologies, Inc.
Herndon, VA

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

We have audited, the Special Purpose Financial Statement (Statement) and related notes to the Statement, 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, by Raytheon Blackbird Technologies, Inc. (RBT) under Contract No. N6523618D4804 (Contract) Delivery Order No. N6523619F3031 in support of the Afghan National Tracking System Support Program, for the period of January 12, 2019 through October 31, 2021. We have issued our report thereon dated January 22, 2025 with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Raytheon Blackbird Technologies, Inc.'s Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Contract, 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 three (3) 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 2024-01, 2024-02, and 2024-03.

Raytheon Blackbird Technologies, Inc.'s Response to Findings

Raytheon Blackbird Technologies, Inc.'s response to the findings identified in our audit is included verbatim at the *Appendix A*. Raytheon Blackbird Technologies, Inc.'s response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of 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.

Restriction on Use

This report is intended for the information of Raytheon Blackbird Technologies, Inc., the United States Department of Defense, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Conrad LLP

Lake Forest, California
January 22, 2025

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the Naval Information Warfare Systems Command Atlantic
in support of the Afghan National Tracking System Support Program

For the period January 12, 2019 through October 31, 2021

Schedule of Findings and Questioned Costs

Finding 2024-01: Noncompliance with Fly America Act

Nature of Finding: Non-Compliance and Internal Control – Significant Deficiency

Condition: Conrad tested a combination of 272 out of 4,185 transactions in the Cost-Plus-Fixed-Fee (CPFF) categories representing \$3,554,757 out of a total of [REDACTED]. During our testing to determine the allowability and support adequacy of costs incurred, we noted eight (8) samples where RBT did not provide documentation to support its compliance with the Fly American Act (FAA) for international travel costs charged to the Contract. In all eight (8) samples, the traveler purchased and traveled on a non-U.S. flagged flight without any justification or waiver documented as to why a U.S. flagged flight was not used. Each of the samples included one or more non-compliant flights, some of which were to and from various Afghan airports and Dubai, and others between Dubai and international airports located in the United States and Germany. As United States Flag Carriers service Dubai and Germany, there were FAA compliant flights available for RBT to purchase. Additionally, RBT policy requires that international travelers comply with the FAA or meet an exception per FAR 47.403.

These instances resulted in questioned costs of \$18,327.

Criteria:

N6523618D4804 Base Contract, Section I – Clauses, states in part:

“Clauses Incorporated by Reference...”

52.247-63 *Preference for U.S. Flag Air Carriers* *Jun 2003...”*

FAR Part 52.247-63 (b), Preference for U.S.-Flag Air Carriers, states in part:

“Section 5 of the International Air Transportation Fair Competitive Practices Act of 1974 (49 U.S.C. 40118) (Fly America Act) requires that all Federal agencies and Government contractors and subcontractors use U.S.-flag air carriers for U.S. Government-financed international air transportation of personnel (and their personal effects) or property, to the extent that service by those carriers is available. It requires the Comptroller General of the United States, in the absence of satisfactory proof of the necessity for foreign-flag air transportation, to disallow expenditures from funds, appropriated or otherwise established for the account of the United States, for international air transportation secured aboard a foreign-flag air carrier if a U.S.-flag air carrier is available to provide such services”



Raytheon Blackbird Technologies, Inc.

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Schedule of Findings and Questioned Costs (Continued)



FAR Part 47.403-1(c), Availability and unavailability of U.S.- flag carrier service, states in part:
“Except as provided in paragraph 47.403-1(a), U.S.-flag air carrier service shall be used for U.S. Government-financed commercial foreign air travel if service provided by U.S.-flag air carriers is available.”

FAR Subpart 31.201-2(a), Determining allowability states the following:
“A cost is allowable only when the cost complies with all of the following requirements:
(1) Reasonableness.
(2) Allocability...”
(4) Terms of the contract...”

Cause: RBT did not follow its travel policy because the FAA had not been incorporated into the terms of the Contract and therefore, management believed FAA did not apply. However, the contract does require the contractor to comply with, and ensure all personnel are familiar with and comply with, U.S. laws, regulations, directives, instructions, policies and procedures.

Effect: Failing to ensure compliance with the FAA could expose the organization to potential improper use of federal funds, or an overcharge of federal funds to the U.S. government.

Questioned Costs: We identified \$18,327 in unsupported costs and \$2,875 in associated indirect costs, which resulted in \$21,202 in total questioned costs.

Recommendation:

- 1) We recommend that RBT provide supporting documentation for the costs charged or refund \$21,202 in unsupported costs to the funding agency.
- 2) We recommend that RBT develop and implement policies and procedures to ensure that all international travel complies with the Fly America Act and that any exceptions, such as a non-U.S. flagged flight being used, are supported with the proper approval or waiver documentation.

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
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For the period January 12, 2019 through October 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Finding 2024-02: Lacked sufficient support to substantiate costs charged to contract.

Nature of Finding: Non-Compliance and Internal Control – Significant Deficiency

Condition: Conrad tested a combination of 272 out of 4,185 transactions in the Cost-Plus-Fixed-Fee (CPFF) categories representing \$3,554,757 out of a total of [REDACTED]. During our testing to determine the allowability and adequacy of support documentation for costs incurred, we noted six (6) instances where RBT did not provide sufficient documentation for costs charged to the Contract. Please see below for the detailed observations:

- One (1) instance where RBT was unable to provide any evidence to support the expense charged to the contract under Other Direct Costs. The only support provided was screenshots from their accounting system for what appears to be RBT freight charges. No other support was provided that identifies what the cost represents or how it relates to the Contract. This resulted in total questioned costs of \$15,618.
- Two (2) instances were noted under Other Direct Costs where RBT did not provide sufficient support for costs charged to the Contract. One (1) of the two (2) cases involved allocation costs charged to the Contract, however RBT was unable to find supporting methodology for the allocation used. The other instance is related to employee travel expense statements with several expenses reported, none of which were reconcilable to the cost charged. There was no additional support provided that identifies what the cost represents or how it relates to the Contract. This resulted in total questioned costs of \$1,220.
- One (1) instance was noted under Travel costs where insufficient documentation was provided to support lodging costs expensed by an employee. This resulted in total questioned costs of \$500.
- Two (2) instances were noted under Subcontractor expenses where the proof of payment amount to the subcontractor did not cover the entire amount posted on the invoice. This resulted in total questioned costs of \$210.

These instances resulted in questioned costs of \$17,548.

Criteria:

[REDACTED]

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
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Schedule of Findings and Questioned Costs (Continued)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

FAR Subpart 31.201-2(d), Determining allowability states the following:

“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...”

Cause: RBT lacked adequate management oversight to ensure that expenses charged to the Contract were properly supported and aligned with its Government Accounting Manual.

Effect: The lack of proper documentation and support for these expenses violates compliance with funding requirements, potentially leading to costs being overcharged to the U.S. government.

Questioned Costs: We identified \$17,548 in unsupported costs and \$2,948 in associated indirect costs, which resulted in \$20,496 in total questioned costs.

Recommendation:

- 1) We recommend that RBT refund \$20,496 in unsupported costs to the funding agency.
- 2) We recommend that RBT develop and implement more robust procedures for documenting and retaining supporting evidence for all expenses charged to the Contract. This should include requiring clear, complete documentation for all costs, such as detailed invoices, proof of payment, and appropriate travel or subcontractor agreements, prior to reimbursement.

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
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Schedule of Findings and Questioned Costs (Continued)

Finding 2024-03: Overcharge for Danger Pay and Hardship Pay

Nature of Finding: Non-Compliance and Internal Control – Significant Deficiency

Condition: Conrad tested a combination of 272 out of 4,185 transactions in the Cost-Plus-Fixed-Fee (CPFF) categories representing \$3,554,757 out of a total of [REDACTED].

During our testing to determine the allowability and adequacy of support documentation for costs incurred, we noted fourteen (14) instances in Other Direct Costs where RBT overcharged Danger Pay and Hardship Pay, ranging from 38% to 45.5% of the basic salary, which is higher than the 35% allowed by Department of State Standardized Regulations (DSSR). The overcharge occurred throughout all pay periods tested for one (1) employee, and the sampled danger and hardship allowances for other employees were paid at the appropriate rate. Additionally, it was noted that overtime was incorrectly included in the calculation of the Danger Pay and Hardship Pay allowances paid to a manager.

These instances resulted in total questioned costs of \$13,904.

Criteria:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DSSR 040(k), Definitions states, in part:

“Basic compensation means the rate of compensation fixed:...(3) administratively in conformity with rates paid by the Government for work of a comparable level of difficulty and responsibility in the continental United States, before any deduction is made and without taking into consideration

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
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Schedule of Findings and Questioned Costs (Continued)

any additional compensation such as overtime pay, night pay differential, hazard differential, extra pay for work on holidays, post differential, and allowances; except that for teachers defined in subsection n, hereof, basic compensation means the rate of compensation fixed by the military departments of the Department of Defense for the position held by an individual (including any appropriate increments for having completed a higher level of academic preparation) before any deduction is made and exclusive of all allowances, differentials, or other additional compensation.”

DSSR 655, Danger Pay Allowance on Detail states:

“Employees on detail at a danger pay post may be granted the danger pay allowance at the prescribed rate for all days of detail at such post except for days of absence from the post in a post or area not designated for the danger pay allowance. Note: Danger Pay is paid only for hours for which basic compensation is paid...”

**Allowances by Location
 DSSR 920**

**Country: AFGHANISTAN
 Rates Effective: 01/20/2019**

Previous Rates:

Post Name	Cost of Living Allowance % of Spendable Income	Post (Hardship) Differential % of Basic Compensation	Transfer Zone (DSSR 242)	Footnote	Danger Pay % of Basic Compensation	Education Allowance	Living Quarters Allowance	Reporting Schedule
Kabul	0	35	2	View	35	View	View	View
Other	0	35	3	View	35	View	View	View

Cause: RBT stated that for this particular employee, the employment agreement stated overtime was required as part of this employment and therefore, the salary for the overtime portion was used as the base to calculate Danger and Hardship pay.

Effect: Ineligible costs were charged to the U.S. government.

Questioned Costs: We identified \$13,904 in ineligible costs and \$2,274 in associated indirect costs, which resulted in \$16,178 in total questioned costs.

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
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Schedule of Findings and Questioned Costs (Continued)

Recommendation:

- 1) We recommend that RBT provide documentation to support the costs charged or refund \$16,178 in ineligible costs to the funding agency.
- 2) We recommend that RBT strengthen its payroll review processes to ensure that Danger Pay and Hardship Pay calculations strictly adhere to both DSSR guidelines and RBT's internal policy. Controls should be put in place to prevent overtime from being incorrectly factored into these allowances in the future.

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the Naval Information Warfare Systems Command Atlantic
in support of the Afghan National Tracking System Support Program

For the period January 12, 2019 through October 31, 2021

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from RBT, SIGAR, and DOD pertaining to Contract activities under this audit. We identified one (1) prior audit report which contained four (4) findings and associated recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, including discussion with RBT's management, and performed testing of similar activities during our audit. We concluded that RBT had taken adequate corrective actions on all four prior audit findings and associated recommendations. We have summarized the results of our procedures below:

1. **Report: SIGAR Financial Audit 22-39, Financial Audit of Costs Incurred Under Contract No. W900KK-18-D-0027, Task Order no. W900KK19F0114 Awarded by the United States Department of Defense, Army Contracting Command, in Support of Afghanistan Air Force Aircraft Maintenance Training Program For the Period of July 10, 2019 through July 9, 2021.**

Finding 2022-01: Scope limitation.

Issue: During the preliminary phase of the audit, auditors requested that RBT provide a list of instructors from one of its major subcontractors and key policies and procedures related to the Program. Instructor's Qualifications and Raytheon's Key Internal Policies were not provided.

Status: For the current engagement, Conrad reviewed personnel samples and qualifications, and this issue was not repeated. As such, Conrad concluded that RBT has taken adequate corrective action on this finding.

Finding 2022-02: Unsupported costs were charged to the program.

Issue: RBT did not have adequate management oversight to carry out internal control over the financial reporting policy and to ensure the procurement for the subcontractors was properly conducted and complied with the terms of the Letter of Subcontract. Specifically, source documents such as vendor invoices were not provided.

Status: For the current engagement, Conrad reviewed subcontractor procurement, and this issue was not repeated. As such, Conrad concluded that RBT has taken adequate corrective action on this finding.

Finding 2022-03: Inadequate monitoring over program compliance requirements performed, and cost incurred by the subcontractor.

Issue: Auditors identified 7 issues related to this finding. These findings are: Missing Course Completion Certificates, Missing Signatures on Course Completion Certificates, Missing Course Attendance Logs or other evidence of student attendance, Missing Course Material, Missing

Raytheon Blackbird Technologies, Inc.

Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the Naval Information Warfare Systems Command Atlantic
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Status of Prior Audit Findings (Continued)

Stipend Support, Stipend Paid was accepted by an individual on behalf of the student, and Unallowable Cost Charged to the Program.

Status: For the current engagement, Conrad tested a sample of subcontractor costs, and this issue was not repeated. As such, Conrad concluded that RBT has taken adequate corrective action on this finding.

Finding 2022-04: Ineligible costs charged to the program.

Issue: During testing to determine if the costs incurred under the Program were adequately supported, accurate, allowable, and properly approved, auditors tested 23 Other Direct Cost samples out of a population of 146 transactions totaling. In one (1) out of 23 samples tested for Other Direct Costs, Raytheon incorrectly charged labor costs under ODC when no labor costs are budgeted under the CLINs in the ODC cost category. This resulted in an overcharge to the U.S. Government in the amount of \$163.

Status: For the current engagement, Conrad reviewed personnel and ODC costs and none were misclassified, and this issue was not repeated. As such, Conrad concluded that RBT has taken adequate corrective action on this finding.

(Continued)

Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the Naval Information Warfare Systems Command Atlantic
in support of the Afghan National Tracking System Support Program

For the period January 12, 2019 through October 31, 2021

RBT's Responses to Audit Findings

Included on the following pages are RBT's responses received to the findings identified in this report.

Raytheon Blackbird Technologies, Inc.

Contract No. N6523618D4804 Delivery Order No. N6523619F3031
Awarded by the United States Department of Defense
in support of the Afghan National Tracking System Support Program

For the period January 12, 2019 through October 31, 2021

Raytheon's Responses to Audit Findings (Continued)

NIGHTWING

22270 Pacific Blvd.
Dulles, VA 20166

January 14, 2025

Conrad LLP.
ATTN: Joe Chen, Senior Manager
Jose Barraza, Senior Associate

Subject: Management Responses to Conrad LLP Audit Report Findings 2024-01, 2024-02, and 2024-03

Mr. Barraza and Chen:

The Nightwing management team expresses its gratitude to Conrad LLP for its efforts in conducting the Financial Audit on behalf of the Special Inspector General for Afghanistan Reconstruction, regarding contracts awarded by the Naval Information Warfare Systems Command Atlantic in support of the Afghan National Tracking System (ANTS) Support Program for the legacy Raytheon Blackbird Technology (RBT) segment covering the period of January 12, 2019 through October 31, 2021.

In response to the Conrad LLP (Conrad) report, we have prepared the following responses.

Nightwing Response to Finding 2024-01: Noncompliance with Fly America Act

Nightwing respectfully disagrees with Conrad's position on RBT's noncompliance with the Fly America Act (FAA). Nightwing acknowledges that the FAA is applicable to the ANTS delivery order and confirms that appropriate processes and controls were implemented during the period under audit.

Conrad selected travel expenses from the general ledger report provided by Nightwing, making 25 selections, each consisting of multiple individual employee's approved expense reports. Conrad's testing parameters encompassed expense reports from each year within the audit period. Throughout the ANTS program, RBT had several control measures to ensure compliance with FAA.

Conrad's testing can be delineated into two distinct periods: from January 12 to November 30, 2020, and from December 1, 2020, to October 31, 2021.

- January 12, 2019 through November 30, 2020: All reported 2024-01 related findings were from the 2019 and 2020 period. Providing documentation from five years ago presents a challenge, particularly given that there are currently no ANTS program staff at Nightwing, the travel provider through which the flights were purchased is no longer in use, and the software utilized to create and process the expense reports is no longer in operation. In accordance the National Defense Authorization Act (NDAA) of 2018 section 803, required our cognizant Defense Contract Audit Agency (DCAA) to complete Incurred Costs one year after submission. In keeping with NDAA, DCAA has finalized all indirect rates for period under audit.

The transactions questioned from 2019 and 2020 were for flights, primarily to/from Dubai, Bagram, and Kabul, which are primary travel locations for the ANTS contract. Majority of questioned flights are from the vendor

was the only carrier available between Bagram Airfield in Afghanistan and Dubai, FAA would not apply as these were military flights.



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Raytheon's Responses to Audit Findings (Continued)

NIGHTWING

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- **December 01, 2020 through October 31, 2021:** During the remaining period under audit, Conrad accepted similar or same flights to/from Dubai, Bagram, and Kabul, to include trips from Dubai to U.S. on non-U.S. carriers. The acceptance of these flights was from a signed company exception memorandum asserting various elements of the FAA waiver for the period of December 2020 through October 2021.
- **Disagreement in Reported Amount:** Part of the total \$18,327 questioned under item 2024-01, Conrad took exception to expense report 3006934050 in the amount of \$3,100. The \$3,100 reported as FAA non-compliance, however the invoiced amount is for one flight from Dubai to Bagram for \$1,500 and two weeks of hotel stay due to COVID-19 pandemic for \$1,600. The vendor for this expense report was [REDACTED]. Thus, we believe the amount Conrad is reporting within 2024-01 is overstated as it includes a hotel stay within the finding for FAA compliance which is not applicable.

While Conrad has asserted that the flights are non-compliant with FAA, they have not provided sufficient evidence to demonstrate that the flights were contrary to the standards outlined above. Specifically, they have not presented evidence that a U.S.-Flag carrier or Code-Share airline operated flights between Dubai and Kabul/Bagram, nor have they substantiated that the flights in question did not qualify for an FAA exception through a waiver. Conrad has suggested the implementation of policies and procedures to ensure FAA compliance; however, it seems there may have been some misunderstanding regarding how we comply with the regulations. This has resulted in a reported finding with which we respectfully have a differing perspective.

Nightwing Response to Finding 2024-02: Lacked sufficient support to substantiate costs charged to contract

- **Freight, \$15,618:** The freight system utilized for this transaction allows inquire and transaction retrieval up two years after expense occurred. Due to this limitation, we were unable to provide the explicit invoice for this transaction but were able to submit the proof of payment as Conrad noted.
- **IAS Allocation, \$1,220:** Nightwing disagrees with the Conrad's position. The reported amount arose from two transactions selected from audit samples ODC-29 and ODC-57a for \$839 "September 2019 IAS Allocation" and \$381 "January 2021 IAS allocation", respectively. Conrad requested that Nightwing identify the segment sending the cost to RBT and the allocation base used. We provided the following to support Conrad's request:



In addition to the description of allocation, for each of the two transactions we supplied the manual journal entries used to record the costs allocation to the ANTS delivery order. Nightwing believes we have supported the request by Conrad. Any other information regarding an allocation from another segment would require the Government to interact with the respective cognizant auditors (i.e. DCAA) as RBT does not have privy or access to another segment's books and records. Furthermore, Nightwing does not fully comprehend the reported language indicating that part of the questioned amount pertains to "employee travel expense statements." Our records, along with the documentation provided, substantiate that both questioned items are, in fact, related to IAS allocations.

- **Lodging Expense, \$500:** Nightwing disagrees with Conrad's position as they state, "...where no documentation was provided to support lodging costs expensed by an employee", as we provided the approved expense report and proof of payment.



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Conrad sampled the direct travel on contract subject to audit from the general ledger details report provided by Nightwing. Travel selection 12 totaled \$10,557 and the amount was comprised of six expense reports. One of the six expense reports, 3006781338, was selected for its \$500 lodging and an unallowable adjustment for \$(157). Please note the unallowable adjustment reduced the amount of allowable expense billable against the program. Nightwing recognizes that the expense report did not contain an invoice from the [REDACTED]. However, the approved expense report has recorded amounts by day and associated room tax. We also supplied the pay information from RBT to Citibank.

Nightwing also disagrees with the calculation of Conrad's finding as it appears the report only states the lodging amount and does not offset with the amount of "Over Per Diem" that reduced the total amount charged to the contract, \$(157). The WebTE utilized a daily rate to calculate over per diem, with the date employees enter their expenses or credit card transactions are uploaded serving as a mechanism for comparison. The expense report Conrad was provided states \$300 in lodging and \$7 in employee meals on December 08, 2019. The expense report states that of the total claimed, \$1,012.25, only \$854.75 is allowable. The \$157.50 unallowable amount states in the expense report as "Exceeded Per Diem" on December 08, 2019. This was caused by three days of lodging expense being recorded to December 08, 2019. Therefore, at a minimum the amount of reportable finding based on Conrad's perspective of missing invoice should be \$342.5 (500-157.5), which Nightwing believes is immaterial.

- **Proof of Payment, \$210:** We concur with the identified discrepancy on the payment records; however we believe the invoice and general ledger reconciling supports the amount examined. In addition, Nightwing believes this amount to be immaterial.

Nightwing Response to Finding 2024-03: Overcharge for Danger Pay and Hazard Pay

- **Danger Pay and Hazard Pay, \$13,904:** Nightwing wishes to first clarify that the finding should read "...Danger Pay and Hardship Pay", as the employee in question did not receive hazard pay, only danger and hardship. Secondly, we respectfully disagree with Conrad's position as it misapplies RBT policy, misconstrues the Department of State Standardized Regulations (DSSR) application to RBT costs, and fails to recognize the position of *CACI Int'l, Inc. & CACI Technologies, Inc., ASBCA No. 6017, 16-1 BCA ¶ 36,442*.

Conrad selected 57 ODC transaction from the General Ledger report provided by Nightwing. Of the 57 transactions, eight contained danger and hardship pay for one employee, Program Manager, which Conrad believes was inappropriately calculated.

Contract documents related to the ANTS Delivery Order are critical in understanding how RBT priced, accumulated and reported danger and hardship pay. The ANTS Delivery Order's, N65236-19-F-3031, request for proposal (RFP), N65236-18-R-3118, included several elements pertinent to the application of danger and hardship pay.

[REDACTED] two, proposals were required to identify overtime, three, the RFP made no mention of requirements for use of DSSR. On October 11, 2024, Nightwing supplied the proposal's cost volume submitted to address the ANTS RFP to Conrad. Within this cost volume, on the "rates" tab, RBT [REDACTED]

[REDACTED] The ANTS Delivery Order N65236-19-F-3031, contract awarded to RBT contained no clause on overtime or utilization of the DSSR. The awarded IDIQ, N65236-18-D-4804 that the delivery order was through, contained clause 52.222-2, Payment for Overtime Premiums stating overtime is not to exceed "\$0.00". In addition, the IDIQ contract does not include a clause requiring the use of DSSR for Danger or Hardship pay.



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Raytheon's Responses to Audit Findings (Continued)

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Regarding Conrad's comments on RBT's *Short and Long-Term International Assignment Policy (Policy)*, Nightwing would like to clarify. Conrad cites that section 7.1.4 of the Policy states:

[REDACTED] We wish to emphasize that the policy does not use "must" or "shall" and should not be construed as absolute. In addition, the quoted section for Danger and Hardship Pay omits the remainder sentence which reads:

[REDACTED]

The section quoted above is describing the percentages from the DSSR is to be used for Danger and Hardship pay. It is not a quotation referencing all the DSSR as applicable. Please note that the DSSR utilized a rate of 35 percent for Danger and Hardship pay for the period under audit.

Nightwing provided Conrad with the Memorandum of Understanding (MOU) for the Program Manager's rotational travel overseas. Within this document it states the standard work hours are 40 hours per week and 12 hours of overtime. The phrasing of overtime is due to use of boiler plate document. Time sheets and pay stubs provided to Conrad during the testing substantiated that no rate of 1.5 times base was paid for any hour worked by the Program Manager. RBT has a time category called "Extended Work Week" (EWW), which means working hours over 40 but receiving 1 times your pay (referred to as straight time overtime). The MOU goes on to calculate standard week of 40 hours times base rate, 12 hours of EWW times base rate, Danger pay of 35 percent times 52 hours (Standard Workweek plus EWW) at base rate, and Hardship pay of 35 percent times 52 hours (Standard Workweek plus EWW) at base rate. Thus, no overtime is being worked as the Program Manager is expected to work 52 hours each week. We believe this is in alignment with the position of "basic pay" arrived within *CACI Int'l, Inc. & CACI Technologies, Inc., ASBCA No. 6017, 16-1 BCA ¶ 36,442*, which presented a similar fact pattern applying DSSR rate to "basic pay".

Conrad next cites the DSSR 040(k) definition of Basic Compensation. *CACI Int'l, Inc. & CACI Technologies, Inc., ASBCA No. 6017, 16-1 BCA ¶ 36,442*, asserts that the DSSR basic compensation definition does not apply to contractors as the DSSR is written for Government employee compliance purposes, stating:

The DSSR's definition of "basic compensation" is problematic for application to contractor employees: it is simply inapplicable.

While Nightwing appreciates Conrad's diligent efforts on auditing the Program Manager cost, we must respectfully disagree with the audit position. IDIQ, RFP, and DO award do not contain clauses establishing overtime at an amount, thus inherently meaning overtime is not permitted; nor do they establish the DSSR as authoritative on administration of danger and hardship pay. The RBT pricing [REDACTED]

[REDACTED] This establishes that the Government was aware that overtime was not being utilized and the EWW hours were considered "basic pay". The policy cited by Conrad is only speaking to the DSSR table that establishes a percentage for pay, no other aspects of the DSSR are inferred or incorporated. Conrad's position of applying DSSR basic compensation requirements on RBT is invalid as affirmed by *CACI Int'l, Inc. & CACI Technologies, Inc., ASBCA No. 6017, 16-1 BCA ¶ 36,442*. Based on the above, we conclude Program Manager costs are allowable to the ANTS DO.



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Raytheon Blackbird Technologies, Inc.

Financial Audit of the Special Purpose Financial Statement for
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Auditor's Rebuttal to RBT's Responses to Audit Findings

RBT disagreed with all findings included in the report. We reviewed RBT's responses and provided the following rebuttals:

Finding 2024-01: RBT disagreed with the finding.

1. In response to the finding related to non-compliance with the requirements of the FAA, RBT disagreed with the finding. RBT stated that the controls governing compliance with the FAA included [REDACTED]. RBT identified two distinct periods regarding the auditor's findings: January 12, 2019 to November 30, 2020, and December 1, 2020 to October 31, 2021.
 - a. For the first period, RBT responded that many questioned flights were to/from Dubai, Bagram, and Kabul locations. RBT stated that the air carrier noted in the finding was the only carrier available between Bagram Airfield in Afghanistan and Dubai and that the FAA would not apply in this case. Additionally, RBT responded that the [REDACTED].
[REDACTED] RBT also characterized the airline carrier's services that it used from Bagram Airfield as "military flights."
 - b. For the second period, RBT acknowledges that the auditor accepted (did not take exception to) similar or same flights due to support (provided by RBT) in the form of a signed company exception memorandum asserting various elements of the FAA waiver.

Furthermore, RBT asserted that the auditor did not provide evidence that flights were not compliant. Specifically, the auditor did not provide evidence that U.S. flag carriers or code-share airlines operated within the locations in question and that the auditor did not substantiate that the flights in question did not qualify for the FAA exception through a waiver.

Auditor Rebuttal:

As mentioned in the Condition section of the finding, the issue is that RBT did not document the justification or waiver for the selection of non-U.S. flag carriers, as required by the FAA (41 CFR 301-10.141 and 41 CFR 301-10.142) and as indicated by the company's policy requiring

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Auditor's Rebuttal to Raytheon's Responses to Audit Findings (Continued)

compliance under FAR 47.403. The auditor affirms that FAA is applicable to all persons traveling on funds provided by the U.S. Federal Government, and that exceptions do occur and must be documented by a waiver. Additionally, the auditor notes that the carrier used in the majority of instances noted in the finding is a privately held aviation company that provides air, cargo, and workforce transportation charter services, and is not operated by the U.S. Military.

The auditor does not argue that an FAA exception did not exist in the case of the flights in question, but that RBT was non-compliant by not documenting the exception as necessary to meet the waiver requirements of the FAA and FAR 47.403. It is noteworthy that RBT did comply for a portion of the period under audit by documenting the exception and FAA waiver, but did not comply for the period of January 12, 2019, to November 30, 2020, from which the applicable samples noted the finding originated.

The auditor's reference to other U.S. flag flights that were available was referring to the travel location omitted in RBT's response, i.e., Germany. The auditor noted several flights to and from Dubai and Frankfurt on flights that were not U.S. Flag Carriers, the itineraries for which did not show U.S. Flag carrier codes (i.e., International Air Transport Association Designators) that would indicate code sharing.

Per FAR 47.403-3:

"(a) Agencies shall disallow expenditures for U.S. Government-financed commercial international air transportation on foreign-flag air carriers unless there is attached to the appropriate voucher a memorandum adequately explaining why service by U.S.-flag air carriers was not available, or why it was necessary to use foreign-flag air carriers."

Therefore, in accordance with FAR 47.403-3, as RBT was unable to provide a documented exception or waiver for the flights, the costs for the flights should be disallowed. Due to the reasons above, the finding and recommendations remain unchanged.

In response to the finding related to non-compliance with the FAA, RBT disagreed on the reported questioned amount for the finding, stating that expense report 3006934050 for \$3,100 in airfare consisted of \$1,500 in flight costs, and \$1,600 in hotel costs. For this reason, RBT believed the questioned amount was overstated in the amount of \$1,600 as the hotel costs were not applicable to the finding.

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Auditor's Rebuttal to Raytheon's Responses to Audit Findings (Continued)

Auditor Rebuttal:

The auditor determined the cost in question from RBT's expense report, which listed an expense for an airline in the amount of \$3,100 and an expense type that states "air/rail." The expense type did not include "lodging" as seen in other lodging costs. Also, the airline invoice included in the report shows two items – a flight, and a "quarantine package." Neither service had an itemized price, and the invoice showed a simple total of \$3,100. Farther in the expense report, which consisted of 98 pages, there was an invoice without a vendor header or name that listed two similar services, but we cannot verify who this vendor is and if it's related to the \$3,100 in question. Due to the reasons above, the finding and recommendation remain unchanged.

Finding 2024-02: RBT disagreed with the finding.

1. In response to the finding wherein RBT lacked sufficient support to substantiate freight costs in the amount of \$15,618 charged to the contract, RBT appeared to disagree with the auditor. While noting system limitations that restricted RBT from providing the invoice for the transaction, RBT stated that proof of payment had been provided to the auditor.

Auditor Rebuttal:

RBT was unable to provide any sufficient evidence (i.e., records) of this transaction. Instead, system screenshots pasted to an Excel file were provided as proof of payment to substantiate the \$15,618 transaction. The auditor considers this to be insufficient evidence because there were no other records provided that could be used to validate, bolster, or otherwise agree with the inadequate payment support, and no other documentation provided as to how the cost related to the program. Due to the reasons noted above, the finding and questioned costs remained unchanged.

2. In response to the finding wherein RBT lacked sufficient support to substantiate allocation costs in the amount of \$1,220, RBT disagreed with the finding and stated that it had provided adequate support for allocated costs.

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Auditor's Rebuttal to Raytheon's Responses to Audit Findings (Continued)

Auditor Rebuttal:

For the samples in question, the support RBT provided consisted of travel expense reports where the cost in question was listed as "Other" with amounts that do not tie to the ledger, manual journal entries that described the charge as an international assignment allocation, and proof of payment for the allocated costs. The auditor repeatedly requested additional support including an allocation methodology and the basis of the allocation to determine the appropriateness, reasonability, and allocability of the expenditures and was provided a general comment that the expense was for a suite of [REDACTED]

[REDACTED]. Due to insufficient support, the auditor was unable to reconcile expense statements and receipts with the other support or the general ledger. Additionally, no further support was provided to identify what services the cost represents or how they relate to the program. For these reasons, the finding and recommendations remain unchanged.

3. In response to the finding wherein RBT lacked sufficient evidence to support Lodging Expenses in the amount of \$500, RBT disagreed with the finding and stated it had provided an expense report and proof of payment. Also, RBT reasoned that the questioned amount for the sample should be reduced from \$500 to \$342.50 due to a \$157 unallowable expense (over per-diem amount) adjustment that it made to the applicable expense report.

Auditor Rebuttal:

The auditor agrees that an expense report and proof of payment were provided and the bullet pertaining to lodging will be updated to state that insufficient evidence was provided for the lodging cost. However, the expense report did not contain hotel receipts to support the cost expensed. As noted in the finding criteria, [REDACTED]. The expense report includes expenses for six days and five nights of travel. The questioned charge is for five nights at a hotel for which the report does not contain receipts. Three of the five nights were charged on December 19th along with various other expenses, and the report includes an adjustment for December 19th in the amount of \$157. The auditor does not agree that the questioned amount should be lessened because it is not clear from the unallowable adjustment

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Auditor's Rebuttal to Raytheon's Responses to Audit Findings (Continued)

on the expense report which charges the adjustment applies to. For these reasons, the questioned costs and auditor's recommendations remain unchanged.

4. In response to the finding wherein RBT lacked sufficient evidence to support proof of payment in the amount of \$210, RBT acknowledged that the records it had provided contained discrepancies but believed that the agreement of the invoice and general ledger supports the questioned amount.

Auditor Rebuttal:

RBT provided proof of payment for two samples involving subcontracted services for vehicle rentals that was less than the posted ledger amount for those samples, with the combined discrepant amount of \$210. The records the auditor reviewed show that the company overcharged costs to the contract. The invoice alone should not be used to validate the cost in the ledger, especially when proof of payment differs. As RBT acknowledges the discrepancies in its payment records, and due to the reasons listed above, the finding and recommendations remain unchanged.

Finding 2024-03: RBT disagreed with the finding.

1. In response to the finding wherein RBT overcharged for Danger Pay and Hazard Pay in the amount of \$13,904, RBT disagreed with the finding for the following reasons:
 - a) RBT clarified that the finding should read "Danger and Hardship Pay" rather than "Danger and Hazard Pay."

Auditor Rebuttal:

The auditor agrees that the finding is pertinent to danger and hardship pay rather than danger and hazard pay. As a result, the finding will be updated to reflect hardship pay rather than hazard pay.

- b) RBT asserted that it had priced danger and hardship pay appropriately since it had [REDACTED]. RBT asserted that the employee agreement (i.e., MOU) that states the employee is required to work overtime is due to

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templated language only and indicated that the subject employee was expected to work 40 hours in a standard work week plus "extended work week time" in the amount of 12 hours paid at the regular rate of pay. RBT responded that it had calculated danger pay amount based on 52 hours of work per week as basic compensation, and that its understanding of prior case law supported the logic to do so.

Auditor Rebuttal:

The subject employee MOU reads as follows:

[REDACTED]

At no point does the MOU or statement of allowances (SOA) indicate that the danger pay and hardship allowances will be based on anything other than the standard 40-hour work week. The MOU explicitly states [REDACTED], and therefore the auditor reasons they are not based on extended work week hours. Based on the employee agreement and company policy, we can conclude that danger and hardship pay must be based on compensation for the standard workweek of 40 hours, or what the MOU describes as "Base Salary."

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[REDACTED]

The policy statement above indicates that base pay is paid on a regular, predictable, and recurring basis for the work performed, whereas the MOU states [REDACTED] and is therefore not regular, predictable, and reoccurring. This is reflected in the subject employee's payroll registers where the number of hours billed as "Overtime" fluctuates throughout the sampled pay periods. Furthermore, the policy in effect excludes [REDACTED] from being included in base pay. Absolute language that the amounts "must" be excluded is not required to communicate the requirements of the policy, as a contractor should be held to what is typical for its operations and what is usual for its business practices.

With regard to the proposal cost volume rates, RBT [REDACTED]. The auditor does not argue that danger pay was not considered as a part of the proposal, but that the company's practices were inconsistent with its own policy and employee agreements, and that its practices varied from typical course for one employee in particular. It is worth noting that hardship pay was not included in the [REDACTED] nor was it referenced elsewhere in the rates.

Lastly, if it were RBT's policy to include extended work week time in its calculation of base pay, the other labor samples that were tested where MOUs included extended work week/overtime hours would have also included the employees' additional hours in the calculation of danger and hardship pay. However, this was not the case.

In the other labor samples for employees deployed to Afghanistan and receiving danger and hardship pay — some of which were required by their MOUs to work 30 hours of extended work week time per week (significantly more than the Program Manager's

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required extended work week time of 12 hours) and whose positions were also included in the proposal cost volume "rates" tab with no overtime — in all other instances the employees received danger and hardship allowances in the amount of 35% of the base salary noted in the SOA, and not the base salary plus extended work week pay. This inconsistent calculation of danger and hardship pay, which resulted in the Program Manager being paid significantly more than any other sampled employee in danger and hardship pay and at a rate that exceeded the DSSR rate, is at the heart of the finding.

- c) RBT reiterated several times that DSSR rates for danger and hardship pay was not applicable due to the request for proposal (RFP) and the indefinite delivery indefinite quantity (IDIQ) contract not requiring the use of DSSR rates explicitly.

Auditor Rebuttal:

While the auditor does not agree that every regulatory compliance element need be explicitly stated in the contract, we note that RBT's Short- and Long-Term International Assignments Policy states [REDACTED]

[REDACTED]. The auditor does not assert that the entire DSSR is applicable, but that the DSSR hardship and danger allowance requirements are as indicated by the policy, and at no point during audit fieldwork did RBT inform the auditor that it used these alternate methods for determining the allowances. The auditor reaffirms that it is RBT's own policies and employee agreements and the inconsistent application of the requirements therein that provide a basis for the finding. Due to these reasons and those stated in rebuttals above, the finding and recommendations remain unchanged.

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