

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 18-73 Financial Audit

Department of the Army's Afghanistan-Wide
Mine, Battle Area, and Range Clearance
Operation – Phase II, Effort 2: Audit of Costs
Incurred by Janus Global Operations LLC



SEPTEMBER
2018

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On July 30, 2014, the U.S. Army Corps of Engineers (USACE), through the U.S. Army Engineering and Support Center, awarded Sterling Operations Inc. (Sterling) a 33-month, \$249 million task order to implement Phase II of the Afghanistan-Wide Mine, Battle Area, and Range Clearance operation. This was divided into Efforts 1 and 2. Effort 2's objectives were to conduct subsurface, mine, battle area, and range clearance. USACE modified the task order 11 times, decreasing the value of Effort 2 from \$178.1 million to \$170.9 million, and extending its period of performance from May 1, 2017, to May 1, 2018. In May 2016, Sterling changed its name to Janus Global Operations LLC (Janus).

SIGAR's financial audit, performed by Castro & Company (Castro), reviewed \$106,787,213 charged to the task order from December 1, 2015, through December 1, 2017. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in Janus's internal controls related to the task order; (2) identify and report on instances of material noncompliance with the terms of the task order and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Janus has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Janus's Special Purpose Financial Statement (SPFS). See Castro's report for the precise audit objectives.

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

September 2018

Department of the Army's Afghanistan-Wide Mine, Battle Area, and Range Clearance Operation – Phase II, Effort 2: Audit of Costs Incurred by Janus Global Operations LLC

SIGAR 18-73-FA

WHAT THE AUDIT FOUND

Castro did not identify any internal control deficiencies or any instances of noncompliance with the terms of the task order and applicable laws and regulations. Accordingly, Castro did not identify any questioned costs, which could have consisted of unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—and ineligible costs—costs prohibited by the task order, applicable laws, or regulations.

Castro reviewed one prior audit report on the costs Janus incurred on Effort 2. The report identified three prior findings that needed corrective action. Castro concluded that Janus took adequate corrective actions to address the findings.

Castro issued a qualified opinion on Janus's SPFS, noting that it presents fairly in all material respects, revenues received, and costs incurred for the audit period. Castro qualified its opinion because Janus did not sign the management representation letter.

WHAT SIGAR RECOMMENDS

Castro did not report any findings related to the costs Janus incurred on its task order to implement Phase II, Effort 2 of the Afghanistan-Wide Mine, Battle Area, and Range Clearance operation from December 1, 2015, through December 1, 2017. Therefore, SIGAR is not making any recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

September 10, 2018

The Honorable James N. Mattis
Secretary of Defense

General Joseph L. Votel
Commander, U.S. Central Command

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

Lieutenant General Todd T. Semonite
Commanding General and Chief of Engineers
U.S. Army Corps of Engineers

We contracted with Castro & Company (Castro) to audit the costs incurred by Janus Global Operations LLC (Janus) under a U.S. Army Corps of Engineers task order to implement Phase II, Effort 2 of the Afghanistan-Wide Mine, Battle Area, and Range Clearance operation.¹ Effort 2's objectives were to conduct subsurface, mine, battle area, and range clearance. Castro's audit covered \$106,787,213 charged to the task order from December 1, 2015, through December 1, 2017. Our contract with Castro required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Castro did not report any findings related to this project. Therefore, SIGAR is not making any recommendations.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-128)

¹ This is task order 12 under contract number W912DY-10-D-0016.



Janus Global Operations, LLC
Afghanistan-Wide Mine, Battle Area, and Range Clearance - II
(BARC II) Project
Contract No. W912DY-10-D-0016, Task Order 12 (Effort II)
For the Period from December 1, 2015 through December 1, 2017

AUDIT REPORT

August 29, 2018

Janus Global Operations, LLC
Financial Audit of Costs Incurred
Contract No. W912DY-10-D-0016, Task Order 12 (Effort II)
Afghanistan-Wide Mine, Battle Area, and Range Clearance - II (BARC II) Project
For the Period from December 1, 2015 through December 1, 2017

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Contract No. W912DY-10-D-0016, Task Order 12 (Effort II)
Afghanistan-Wide Mine, Battle Area, and Range Clearance - II (BARC II) Project
For the Period from December 1, 2015 through December 1, 2017

ACRONYMS USED IN THIS REPORT

Acronyms

BARC II	Afghanistan-Wide Mine, Battle Area, and Range Clearance, Phase II
DCAA	Defense Contract Audit Agency
CLIN	Contract Line Item Number
FAR	Federal Acquisition Regulation
GAGAS	Generally Accepted Government Auditing Standards
SIGAR	Special Inspector General for Afghanistan Reconstruction
USACE	United States Army Corps of Engineers

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For the Period from December 1, 2015 through December 1, 2017

Transmittal Letter

August 29, 2018

To: Board of Directors
Janus Global Operations, LLC
2229 Old Hwy 95
Lenoir City, TN 37771

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

From: Castro & Company, LLC
Alexandria, VA

Subject: Financial Audit of Costs Incurred by Janus Global Operations, LLC (Janus) under the United States Army Corps of Engineers (USACE) funded Afghanistan-Wide Mine, Battle Area, and Range Clearance – II (BARC II) Project under Contract No. W912DY-10-D-0016, Task Order 12 (Effort II), for the period from December 1, 2015 through December 1, 2017.

We hereby provide to you our final report, which reflects results from the procedures we completed during our Financial Audit of Costs Incurred by Janus under the USACE funded BARC II Project, Contract No. W912DY-10-D-0016, Task Order 12 (Effort II), for the period from December 1, 2015 through December 1, 2017.

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

On July 20, 2018, we provided SIGAR with a draft report reflecting our audit procedures and results. We also sent a copy of the draft report to Janus on August 9, 2018.

Thank you for providing us the opportunity to work with you and to conduct the audit of Janus' task order.

Sincerely,



Millie Seijo, CPA
Partner

**Janus Global Operations, LLC
 Financial Audit of Costs Incurred
 Contract No. W912DY-10-D-0016, Task Order 12 (Effort II)
 Afghanistan-Wide Mine, Battle Area, and Range Clearance – II (BARC II) Project
 For the Period from December 1, 2015 through December 1, 2017**

Summary

Background

On July 30, 2014, the U.S. Army Engineering and Support Center awarded contract number W912DY-10-D-0016, Task Order 12, to Sterling Operations, Inc. (Sterling Operations, Inc. changed its name to Janus Global Operations, LLC (Janus) on May 16, 2016) to support the Afghanistan-Wide Mine, Battle Area, and Range Clearance, Phase II (BARC II) Project. The work under the task order, which was performed by Janus, was divided into two separate efforts. Effort II tasks and objectives included non-Subsurface clearance and all related supporting tasks related to the execution of the effort.

Contract number W912DY-10-D-0016, Task Order 12 (Effort II), was originally awarded for a total of \$178,060,821 (cost \$163,640,735 plus fixed fee \$14,397,507, and firm fixed price \$22,579), and a period of performance from January 31, 2015 through May 1, 2017. This Task Order was modified 11 times during the period under audit, including several modifications resulting in changes in funding and the period of performance. Specifically, the total award decreased to \$170,948,557 (cost \$155,381,088 plus fixed fee \$15,544,890, and firm fixed price \$22,579), and the period of performance extended through May 1, 2018. Below is a summary of modifications that had a significant impact on the original task order:

Modification No.	Effective Date	Significance
Mod 07	05/23/2016	Change the contactor name from Sterling Operations, Inc. to Janus Global Operations, LLC.
Mod 08	06/14/2016	Increased the total award amount to \$124,443,871 and extended the period of performance to May 1, 2018.
Mod 09	07/07/2016	Increased the total award amount to \$153,735,366 and increased the fixed fee amount to \$15,544,890.
Mod 11 ¹	11/01/2017	Increased the total award amount to \$170,948,557. The fixed fee amount remained unchanged at \$15,544,890.

The audit's scope includes activities within the period from December 1, 2015 through December 1, 2017. Within the period under audit, Janus reported \$96,361,963 in total costs incurred and a total fixed fee of \$10,425,250, for a total cost plus fixed fee of \$106,787,213.

¹ The budget total cost and fixed fee amounts per the contract were realigned between Efforts I and II in the weekly Project Status Reports (PSR) approved by USACE resulting in a not to exceed amount of \$165,320,720 for Effort II; therefore, the total budgeted amount per the PSR as of December 1, 2017 differs from the budgeted amount per Modification 11.

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Afghanistan-Wide Mine, Battle Area, and Range Clearance – II (BARC II) Project
For the Period from December 1, 2015 through December 1, 2017

Work Performed

Castro & Company, LLC (Castro & Co) was engaged by the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of costs incurred by Janus under the BARC II Project, Contract No. W912DY-10-D-0016, Task Order 12 (Effort II), for the period from December 1, 2015 through December 1, 2017.

Audit Objectives as Defined by SIGAR

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

Audit Objective 1 – Special Purpose Financial Statement

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

Audit Objective 2 – Internal Controls

Evaluate and obtain a sufficient understanding of Janus’ internal control related to the task order, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.

Audit Objective 3 – Compliance

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

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Determine and report on whether Janus has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the Special Purpose Financial Statement or other financial data significant to the audit objectives.

Scope

The scope of our audit covers Janus’ incurred costs and fixed fee amounts under Contract No. W912DY-10-D-0016, Task Order 12 (Effort II), for the period from December 1, 2015 through December 1, 2017. We examined the Special Purpose Financial Statement and the underlying financial records, including recalculations of the related fixed fee, to ensure that the amounts reported in the Special Purpose Financial Statement were adequately supported. In addition, the

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following areas were considered to have a direct and material effect on the audit objectives under review:

- Budget Management
- Cash Management
- Disbursements (payroll and non-payroll transactions)
- Financial Reporting
- Procurement and Inventory Management

The records were made available for our review at Janus' office in Lenoir City, TN. However, management of Janus refused to provide us with a written representation letter which resulted in a scope limitation as of the date of this report related to our audit of Contract No. W912DY-10-D-0016, Task Order 12.

Methodology

To meet the audit objectives, Castro & Co identified the applicable criteria against which to test the Special Purpose Financial Statement and supporting financial records and documentation through a review of the task order. In addition, Castro & Co interviewed Janus' management and staff, and reviewed prior year reports, policies and procedures, and organizational charts to gain an understanding of the normal procedures and system of internal controls established by Janus to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations.

Castro & Co performed this audit in accordance with generally accepted government auditing standards (GAGAS), as published in the Government Accountability Office's Government Auditing Standards 2011 revision (Yellow Book). In addition, the following areas were determined as directly and materially related to the Special Purpose Financial Statement and other audit objectives, and therefore, were included within the audit program for detailed evaluation:

- Planning – During the planning phase, we obtained an understanding of the task order between USACE and Janus, reviewed regulations specific to USACE that are applicable to the task order, obtained an understanding of Janus' internal control environment, and performed a reconciliation between the General Ledger and the Special Purpose Financial Statement provided by Janus. In addition, we prepared the sampling methodology, conducted an entrance conference, interviews, and walkthroughs with Janus, prepared a risk assessment for each assertion as it pertains to the Special Purpose Financial Statement, and selected a sample of transactions to test.
- Budgetary compliance - audit steps included, but were not limited to: interviews with Janus' personnel and review of policies and procedures to determine the existence and effectiveness of internal controls and comparing budget versus actual to identify unexplained overruns or shortfalls.

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- Disbursements, including payroll and travel costs - audit steps included, but were not limited to: interviews of Janus’ personnel and review of policies and procedures to determine the existence and effectiveness of internal controls and review of supporting documentation for sample selections to assess proper charges to the project and adequacy of supporting documentation. For payroll expenses, we reviewed personnel files for salary and fringe benefits information, timesheets for proper approval and accuracy of the hours charged, and payroll disbursements in relation to the sample selection. For travel expenses, the sample was tested for proper charges to the project, compliance with federal travel regulations and USACE regulations, the accuracy of expenses charged to the task order, and adequacy of supporting documentation (expense report and receipts).
- Financial reporting - audit steps included, but were not limited to: the review of monthly progress reports, quarterly reports, and annual reports for timeliness, approvals, and accuracy.
- Procurement and inventory management – audit steps included, but were not limited to: interviews of Janus’ personnel and review of policies and procedures to determine the existence and effectiveness of internal controls. For non-travel, non-payroll transactions audit steps included, but were not limited to, the review of the expense for proper charges to the project and adequacy of supporting documentation. We reviewed sample items for compliance with vetting requirements and with tax withholding requirements. From a procurement standpoint, this included a review of sample selections to ensure competitive bidding techniques were used by Janus. For inventory management, we physically verified the existence and cross referenced the inventory item number to Janus’ most recent inventory count.
- Billing - audit steps included, but were not limited to: interviews of Janus’ personnel and review of policies and procedures in relation to billing in order to determine existence and effectiveness of internal controls, and reviewing a sample of invoices to determine compliance with USACE requirements as part of compliance testing.
- Compliance - Through a review of policies and procedures, interviews, walkthroughs and substantive testing for previously mentioned areas of testing and direct request of deliverables, we determined compliance with the deliverables, contract clauses and laws and regulations. Castro & Co reviewed the overhead charges under the indirect costs and fixed fee categories. Castro & Co also reviewed the methodology and obtained a sufficient understanding of Janus’ proposed method of allocation. Testing of indirect costs was limited to a) determining whether Janus calculated indirect costs using the provisional rates approved by the Contracting Officer during the award negotiation process; and b) determining whether Janus calculated and recorded adjustments between estimated indirect costs and final, actual indirect costs incurred as of the end of each fiscal year.

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Castro & Co used sampling techniques to select expenditures and payroll samples to test for the allowability of incurred costs. Castro & Co reviewed procurement records to determine reasonableness of the costs incurred and compliance with laws and regulations and the terms of the task order, especially the vetting process. For the samples selected, we requested and received supporting documentation for compliance evaluation of incurred costs. We also reviewed submitted financial status reports for accuracy and compliance with reporting requirements.

Summary of Audit Results

Upon completion of Castro & Co's procedures, a qualified opinion was issued on Janus' Special Purpose Financial Statement. This opinion was a result of a scope limitation due to Janus' management not providing Castro & Co with the required management representations (see page 8 for the Basis for Qualified Opinion paragraph in the Independent Auditor's Report). We also reported on Janus' internal control and compliance with contract terms, laws and regulations. We did not identify material weaknesses or other reportable conditions for Janus' internal control or compliance with contract terms, laws and regulations required under GAGAS.

There are two categories of questioned costs, ineligible and unsupported. As defined by SIGAR, ineligible costs are those costs that are explicitly questioned because they are unreasonable; prohibited by the contract or applicable laws and regulations; or not contract related. Unsupported costs are not supported with adequate documentation or did not have required approvals or authorizations. Castro & Co's audit found no questioned costs.

Status of Prior Audit Reports

Castro & Co inquired of Janus, SIGAR, and USACE to determine if there have been prior audits, reviews, or assessments relevant to the Special Purpose Financial Statement and the BARC II Project under Contract No. W912DY-10-D-0016, Task Order 12 (Effort II). Castro & Co also performed a search on the internet to see if there was publicly available audits or reviews related to the project under audit. As a result of our procedures, we obtained and reviewed one SIGAR Audit Report of Costs Incurred by Janus related to the BARC II Project, specifically Effort I, covering the period from July 30, 2014 through December 31, 2015. The audit was performed by Crowe Horwath, LLP.

The audit report identified three findings that could have a material effect on the Special Purpose Financial Statement or other data significant to the audit objectives. Two of the findings were related to sole source procurements and cost reasonableness, and one finding was related to the untimely adjustment of indirect cost rates. During our audit procedures to verify if Janus' management implemented corrective actions to resolve prior findings, we observed that Janus implemented procedures to enforce compliance with procurement requirements, and implemented a booked to billed reconciliation process to ensure rate adjustments are captured. Therefore, we concluded that Janus has taken adequate corrective action to ensure that all findings and recommendations from previous engagements that could have a material effect on the Special

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Purpose Financial Statement or other financial data significant to the audit objectives were corrected. See Schedule I within this report for further information related to the findings and corrective action taken, as well as the status of those corrective actions.

Summary of Management Comments

Janus management was provided an opportunity to provide written comments on the audit report. As there were no audit findings issued, management elected not to provide written comments.

**Independent Auditor's Report
On the Special Purpose Financial Statement**

Board of Directors
Janus Global Operations, LLC
2229 Old Hwy 95
Lenoir City, TN 37771

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

We have audited the Special Purpose Financial Statement (the Statement) of Janus Global Operations, LLC (Janus) under the Afghanistan-Wide Mine, Battle Area, and Range Clearance – II (BARC II) Project, Contract No. W912DY-10-D-0016, Task Order 12 (Effort II), for the period from December 1, 2015 through December 1, 2017, and the related notes to the Statement.

Management's Responsibility for the Statement

Janus' management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

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

Basis for Qualified Opinion

Janus refused to provide us with a written management representation letter. Written representations from management ordinarily confirm representations explicitly or implicitly given to us, indicating and documenting the continuing appropriateness of such representations, and reducing the possibility of a misunderstanding concerning the matters that are the subject of those representations. In addition, the representation letter reconfirms management's acknowledgment and understanding of those responsibilities in written representations.

Audit evidence obtained from management throughout the course of the audit is not sufficient without obtaining written confirmation from management that they believe that it has fulfilled those responsibilities. As a result, we were unable to determine whether Janus' management provided us with all relevant information agreed upon under the audit of Contract No. W912DY-10-D-0016, Task Order 12 (Effort I), for the period from January 1, 2016 through May 1, 2017 without asking management, and receiving confirmation, that such information has been provided.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Statement referred to above presents fairly, in all material respects, the revenues earned, costs incurred, and balances for the period from December 1, 2015 through December 1, 2017 in accordance with the terms of the agreements and in conformity with the basis of accounting described below.

Basis of Presentation

We draw attention to Note 2 to the Statement, which describes the basis of presentation. The Statement was prepared by Janus in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction and presents those expenditures as permitted under the terms of Contract No. W912DY-10-D-0016, Task Order 12, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Contract referred to above. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 9, 2018, of Janus' internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts, and other matters as it relates to the Statement. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control or on compliance. Those reports are an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering Janus' internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of Janus Global Operations, LLC, the United States Army Corps of Engineers, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Castro & Company, LLC
Castro & Company, LLC
August 9, 2018
Alexandria, VA

Special Purpose Financial Statement
Janus Global Operations, LLC
Contract No. W912DY-10-D-0016, Task Order 12 (Effort II)
For the period from December 1, 2015 through December 1, 2017

	Budget	Actual	Questioned Costs		Notes
			Ineligible	Unsupported	
Revenues					
Reimbursement	\$ 149,028,638	\$ 96,361,963	\$ -	\$ -	4
Award Fee	16,292,082	10,425,250	-	-	5
Total Revenue	\$ 165,320,720	\$ 106,787,213	\$ -	\$ -	
Cost Plus Fixed Fee					
Subsurface Mine and BAC Range Clearance	\$ 69,171,722	\$ 43,510,858	\$ -	\$ -	
Project Management	38,006,991	27,582,926	-	-	
GIS Support	1,020,341	748,812	-	-	
AMAS Quality Control Inspectors	699,378	540,854	-	-	
Mobilization of US Personnel	67,571	16,950	-	-	
Mobilization of US Personnel Within Afghanistan	1,783	-	-	-	
Mobilization of OCN Personnel	103,166	-	-	-	
Mobilization of OCN Personnel Currently in Afghanistan	203,500	6,338	-	-	
Mobilization of LN Personnel	1,228,893	-	-	-	
Demobilization of US Personnel	64,155	-	-	-	
Demobilization of LN Personnel	378,594	-	-	-	
Demobilization of OCN Personnel	311,472	-	-	-	
Logistics, Maintenance, Management & Security	37,748,493	23,952,324	-	-	
Firm Fixed Price					
Final Report	19,678	-	-	-	
Manpower Reporting	2,901	2,901	-	-	
Total Costs Incurred	\$ 149,028,638	\$ 96,361,963	\$ -	\$ -	
Fee Earned	16,292,082	10,425,250	-	-	5
Total Costs Incurred Plus Fee	\$ 165,320,720	\$ 106,787,213	\$ -	\$ -	
Outstanding Fund Balance	\$ -	\$ -	\$ -	\$ -	6

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

Janus Global Operations, LLC
Notes to the Special Purpose Financial Statement
For the period from December 1, 2015 through December 1, 2017²

1. The Company

Janus Global Operations, LLC (Janus) provides integrated stability operations support services to oil and gas, government and public service, commercial and industrial, mining, and port and maritime organizations worldwide. It offers risk management, logistics and lifecycle management, and munition and environment services. Janus was formerly known as Sterling Operations, Inc. The company was founded in 1987 and is headquartered in Lenoir City, Tennessee with office locations in North America, Europe, Africa, and the Middle East.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (the Statement) includes costs incurred under Contract No. W912DY-10-D-0016, Task Order 12 (Effort II), for the Afghanistan-Wide Mine, Battle Area, and Range Clearance – II (BARC II) Project for the period of December 1, 2015 through December 1, 2017. The information in the Statement is presented in accordance with requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is specific to the aforementioned task order. Therefore, some amounts presented in the Statement may differ from amounts presented in, or used in, the presentation of Janus' basic financial statements.

Basis of Accounting

The Statement reflects the revenues earned and expenses incurred by Janus under the aforementioned task order. Expenditures reported on the Statement are reported in accordance with the accounting principles generally accepted in the United States of America (GAAP) and, therefore, are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Federal Acquisition Regulation (FAR) 31, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Currency

The Statement is denominated in U.S. dollars. Transactions denominated in Afghanistan Afghani were converted to U.S. Dollars by obtaining the mid-rate from OANDA.com and applying the average exchange rate to the expense for the time period the cash was disbursed.

² Notes to the Special Purpose Financial Statement were developed by and are the responsibility of Janus' management.

3. Costs Incurred

The budget categories, represented by Contract Line Item Number (CLIN), reflect the budget line items presented within the final approved contract budget along with the associated modifications to the contract dated July 30, 2014. CLINs include both direct and indirect costs as there were no separate CLINs designated for indirect costs.

4. Revenues

Revenues represent the amount of the funds to which Janus is entitled to receive from USACE for allowable, eligible costs incurred under this task order and fees earned during the period of performance.

5. Revenue Recognition

Cost Reimbursable tasks are recognized based on costs incurred plus applicable indirect rates and the proportion of fee associated with the portion of the task completed. Firm Fixed Price tasks are recognized based on the proportion of work completed in comparison to the overall task value. Revenue is calculated using actual indirect rates. These rates are subject to review by the Defense Contract Audit Agency (DCAA) through Janus' incurred cost submissions. The final outcome of these reviews may result in a rate adjustment which could increase or decrease the revenue recognized in the Statement.

6. Outstanding Fund Balance

The fund balance presented on the Statement represents the difference between revenues earned and costs incurred plus fees earned. For the period ending December 1, 2017 the outstanding fund balance amounted to \$0. An amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the contract and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before final determination.

7. Subsequent Event

Janus evaluated subsequent events through August 9, 2018, date through which the Statement was available to be issued. Janus concluded that no subsequent events have occurred that would require recognition or disclosure in the Statement.

Independent Auditor's Report on Internal Control

Board of Directors
Janus Global Operations, LLC
2229 Old Hwy 95
Lenoir City, TN 37771

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

We have audited the Special Purpose Financial Statement (the Statement) of Janus Global Operations, LLC (Janus) under the Afghanistan-Wide Mine, Battle Area, and Range Clearance – II (BARC II) Project, Contract No. W912DY-10-D-0016, Task Order 12 (Effort II), for the period from December 1, 2015 through December 1, 2017, and the related notes to the Statement 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. We have issued our report thereon dated August 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Janus' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of Janus' internal control. Accordingly, we do not express an opinion on the effectiveness of Janus' 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 Statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of selected internal controls and the results of that testing, and not to provide an opinion on the overall effectiveness of Janus' internal controls. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Janus' internal control over the Statement. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of Janus Global Operations, LLC, the United States Army Corps of Engineers, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Castro & Company, LLC

Castro & Company, LLC

August 9, 2018

Alexandria, VA

Independent Auditor's Report on Compliance

Board of Directors
Janus Global Operations, LLC
2229 Old Hwy 95
Lenoir City, TN 37771

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

We have audited the Special Purpose Financial Statement (the Statement) by Janus Global Operations, LLC (Janus) under the Afghanistan-Wide Mine, Battle Area, and Range Clearance – II (BARC II) Project, Contract No. W912DY-10-D-0016, Task Order 12 (Effort II), for the period from December 1, 2015 through December 1, 2017, and the related notes to the Statement 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, and have issued our report thereon dated August 9, 2018.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and terms and conditions applicable to the contract task orders requirements referred to above is the responsibility of Janus' management.

Auditor's Responsibility

As part of obtaining reasonable assurance about whether Janus' Statement is free of material misstatement, including non-compliance due to fraud and errors, we performed tests of Janus' compliance with certain provisions of contract terms and laws and regulations, noncompliance which could have a direct and material effect on the determination of the 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 no instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

In performing our testing, we considered whether the information obtained and tested during our audit may indicate the possibility of material fraud or abuse. During our testing, we did not identify instances of material fraud or abuse.

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 Janus' compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering

Janus' compliance over the Statement. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of Janus Global Operations, LLC, the United States Army Corps of Engineers, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Castro & Company, LLC

Castro & Company, LLC
August 9, 2018
Alexandria, VA

Schedule I - Summary Schedule of Prior Audit, Review and Assessment Findings

Castro & Co obtained and reviewed one Incurred Cost Audit Report of Janus related to the BARC II Project, specifically Effort I, covering the period from July 30, 2014 through December 31, 2015. The audit was performed by Crowe Horwath, LLP. The audit report identified three findings that required corrective action. Based on Castro & Co's procedures, we concluded that Janus has taken corrective action to address the recommendations.

The audit report prepared by Crowe Horwath, LLP, for the period from July 30, 2014 through December 31, 2015, disclosed total questioned costs in the amount of \$3,114,808 of unsupported costs. During our fieldwork, we confirmed that the USACE Contracting Officer (CO) determined that the total questioned costs of \$3,114,808 was supported and allowable; and therefore, requiring no further action. Janus provided Castro & Co with the email from USACE confirming that all findings and related questioned costs were resolved, and that appropriate corrective action was taken to address the findings. Castro & Co conducted follow-up procedures related to the findings as note below:

- **Finding #1: Sole Source Procurements and Support for Cost Reasonableness (Material Weakness and Noncompliance)**

Condition: Crowe reviewed twenty-six (26) purchase orders awarded through sole source procedures, along with the sole source justification documents. During that review, Crowe identified three purchase orders that were either inadequately justified or did not meet the test of price reasonableness.

Recommendation: Crowe recommended Janus update their procurement policy to require procurement staff to support the reasonableness of costs and provide training. In addition, Crowe requested Janus to obtain additional documentation to support the use of the sole source vendor, Ebinger, and the costs incurred of \$2,948,820.

Current Status: Castro & Co interviewed Janus' management to identify the actions taken to address this finding. We noted that Janus revised their procurement policy requiring a cost or price analysis to be performed for all procurements where competitive procedures are not performed. Additionally, Janus incorporated training to procurement staff on these revisions during their annual refresher training. We also reviewed an email exchange between Janus and USACE, dated June 14, 2018, where USACE stated Janus did not have to reimburse the questioned costs in the amount of \$2,948,820 because USACE approved the sole source procurement and price paid in advance of the purchase orders being sent to Ebinger. We found no issues while performing our audit procedures over Janus's procurement and disbursement transactions. Therefore, we conclude that Janus properly addressed the prior audit finding and does not have to reimburse the amount of \$2,948,820 to USACE as recommended by the prior year auditors.

- **Finding #2: Inadequate Support for Certified Cost or Pricing Data Exceptions (Material Weakness and Noncompliance)**

Condition: Janus was unable to provide a cost or price analysis or other comparable documentation to support price and cost reasonableness prior to entering into agreements with two contractors, Red RMC and Game Zard.

Recommendation: Crowe recommended Janus provide training to their procurement staff on addressing the reasonableness of cost, and the required supporting documentation. In addition, Crowe asked Janus to obtain additional documentation to support the reasonableness of the \$165,696 in costs incurred by the vendor Game Zard.

Current Status: Castro & Co interviewed Janus's management to identify the actions taken to address this finding. We found Janus provided procurement staff training on the requirements for assessing reasonableness of costs through certified cost or pricing data and cost or price analyses during their annual refresher training. In addition, we found no issues while performing our audit procedures over Janus's procurement and disbursement transactions. We also reviewed an email exchange between Janus and USACE, dated June 14, 2018, where USACE stated that the Janus did not have to reimburse the questioned costs of \$165,696, because USACE approved the reasonableness of this cost prior to selection of Game Zard. Therefore, we conclude that Janus properly addressed the prior audit finding and does not have to reimburse the amount of \$165,696 to USACE as recommended by the prior year auditors.

- **Finding #3: Indirect Cost Adjustment Not Completed Timely (Significant Deficiency and Noncompliance)**

Condition: A reconciliation of the adjustment to the Special Purpose Financial Statement and Janus' final invoice containing costs incurred through December 31, 2015, as provided by management, resulted in an overbilling to the Government of \$291.84.

Current Status: Janus agreed that the rate invoice for this project was incorrectly overbilled by \$292.84 and the amount was reimbursed to USACE. Janus implemented a process to complete reconciliations that capture receivables to invoiced amounts on a timely basis and produce any rate adjustment invoices or credits once the annual incurred cost submission is completed. Janus will record the adjustments once the finalized rates are established. Based on our procedures over billing, we did not identify any issues related to this finding; therefore, Castro & Co concludes that Janus properly addressed the prior audit finding.

SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

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- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
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