

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 20-43 Financial Audit**

Department of State's Humanitarian Mine  
Action, Conventional Weapons Destruction, and  
Technical Assistance in Afghanistan: Audit of  
Costs Incurred by Janus Global Operations LLC



JULY  
2020

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On March 3, 2012, the Department of State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (State) awarded Sterling Operations Inc. (Sterling) a time and materials task order for \$8,780,343 to support continued operational assistance of Humanitarian Mine Action (HMA) and Conventional Weapons Destruction (CWD) teams in Afghanistan. The objective of the task order was to remove mines and other unexploded ordinances, and provide education about the risk the mines posed throughout the country. After 28 modifications, the task order's total funding increased to \$24,943,314, and end of the period of performance was extended from March 23, 2013, to September 23, 2017. In April 2016, Sterling completed an organizational re-structuring and changed its name to Janus Global Operations LLC (Janus).

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$7,679,200 in costs charged to the task order from March 24, 2015, through September 23, 2017. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies 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 Crowe's report for the precise audit objectives.

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

July 2020

Department of State's Humanitarian Mine Action, Conventional Weapons Destruction, and Technical Assistance in Afghanistan: Audit of Costs Incurred by Janus Global Operations LLC

SIGAR 20-43-FA

### WHAT SIGAR FOUND

Crowe identified one material weakness and two deficiencies in Janus's internal controls, and three instances of noncompliance with the terms of the task order. For example, the auditors determined that Janus exceeded the authorized funding level for three line items in the contract, which resulted in \$15,761 in questioned costs. In another example, Crowe tested six purchase orders and found that Janus could not provide a valid Afghan business license for one of its vendors, as required by Afghan law, which resulted in \$150,744 in questioned costs. In the same finding, Crowe also determined that Janus did not disclose its relationship with a vendor that the company controlled in the SPFS, nor could it provide required supporting documentation related to a transaction with the vendor, such as a sole or single source justification form. This resulted in \$42,000 in questioned costs.

Because of these internal control deficiencies and instances of noncompliance, Crowe identified \$208,748 in total questioned costs, consisting of \$15,761 ineligible costs—costs prohibited by the task order, applicable laws, or regulations—and \$192,987 in unsupported costs—costs not supported with adequate documentation or that did not have the required prior approval.

| Category                   | Ineligible      | Unsupported      | Total Questioned Costs |
|----------------------------|-----------------|------------------|------------------------|
| Travel                     | \$14,157        | \$0              | \$14,157               |
| Defense Base Act Insurance | \$1,604         | \$0              | \$1,604                |
| Other Direct Costs         | \$0             | \$150,887        | \$150,887              |
| Direct Labor               | \$0             | \$100            | \$100                  |
| Costs Incurred             | \$0             | \$42,000         | \$42,000               |
| <b>Total Costs</b>         | <b>\$15,761</b> | <b>\$192,987</b> | <b>\$208,748</b>       |

Crowe identified two prior audit reports that were relevant to Janus's activities under the task order. The reports had two findings that could have a material effect on the SPFS, as well as other financial data that are significant to this audit's objectives. Crowe conducted follow-up procedures and concluded that the two findings did not have recommendations or corrective action. Therefore, Crowe determined that State considered one finding invalid, and the other finding was not repeated under this audit.

Crowe issued a modified opinion on Janus's SPFS because of material questioned costs identified during this audit.

### WHAT SIGAR RECOMMENDS

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

- 1. Determine the allowability of and recover, as appropriate, \$208,748 in questioned costs identified in the report.**
- 2. Advise Janus to address the report's three internal control findings.**
- 3. Advise Janus to address the report's three noncompliance findings.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

July 9, 2020

The Honorable Michael R. Pompeo  
Secretary of State

Mr. Clarke R. Cooper  
Assistant Secretary for Bureau of Political–Military Affairs

Mr. Ross Wilson  
U.S. Chargé d’Affaires to Afghanistan

SIGAR contracted with Crowe LLP (Crowe) to audit the costs incurred by Janus Global Operations LLC under a task order from the U.S. Department of State to support continued operational assistance of Humanitarian Mine Action (HMA) and Conventional Weapons Destruction (CWD) teams in Afghanistan.<sup>1</sup> The task order’s objective was to remove mines and other unexploded ordinances, and provide education about the risk mines pose throughout the country. Crowe reviewed \$7,679,200 in costs charged to the task order from March 24, 2015, through September 23, 2017. Our contract with Crowe required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$208,748 in questioned costs identified in the report.**
- 2. Advise Janus to address the report’s three internal control findings.**
- 3. Advise Janus to address the report’s three noncompliance findings.**

The results of Crowe’s audit are discussed in detail in the attached report. We reviewed Crowe’s report and related documentation. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on 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. Crowe is responsible for the attached auditor’s report and the conclusions expressed in it. However, our review disclosed no instances in which Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

We are requesting documentation of the corrective actions taken and/or target dates for completion of the recommendations. Please provide this information to [sigar.pentagon.audits.mbx.recommendation-follow-up@mail.mil](mailto:sigar.pentagon.audits.mbx.recommendation-follow-up@mail.mil) within 60 days from the issue date of this report.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-177)

<sup>1</sup> The task order number is SAQMMA12F1101.



**Janus Global Operations LLC**

**Humanitarian Mine Action, Conventional Weapons Destruction, and Technical Assistance in  
Afghanistan**

**Special Purpose Financial Statement**

**For the Period March 24, 2015, through September 23, 2017**

**(With Independent Auditor's Report Thereon)**

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## TRANSMITTAL LETTER

June 23, 2020

To the Board of Directors of Caliburn International and Management of Janus Global Operations LLC  
2265 Old Highway 95  
Lenoir City, Tennessee 37771

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during our audit of the special purpose financial statement applicable to Janus Global Operations LLC's ("Janus") task order number SAQMMA12F1101 funding Humanitarian Mine Action, Conventional Weapons Destruction, and Technical Assistance in Afghanistan for the period March 24, 2015, through September 23, 2017.

Within the pages that follow we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Special Purpose Financial Statement, our report on internal control, and our report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of Janus, the Department of State, and the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR"), provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses have been incorporated as an appendix to this report.

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

Sincerely,

  
Bert Nuehring, CPA, Partner  
Crowe LLP

# Summary

## Background

On March 3rd, 2012, the U.S. Department of State (“DOS”) awarded the Task Order number SAQMMA12F1101 to Sterling Operations, Inc. (“Sterling”) to fund Humanitarian Mine Action, Conventional Weapons Destruction, and Technical Assistance in Afghanistan. The objective of the task order were to provide continued operational assistance to Humanitarian Mine Action (“HMA”) and Conventional Weapons Destruction (“CWD”) teams in Afghanistan. HMA and CWD teams work to remove mines and other unexploded ordinances, as well as provide mines risk education to the community. Activities included under the task order are task order management, logistics, medical and technical assistance, management, and oversight.

Effective April 4, 2016<sup>1</sup>, Sterling completed an organizational re-structuring thereby changing its name from Sterling Operations, Inc. to Janus Global Operations LLC. Therefore, the auditee, as presented within this document, will be formally referred to as Janus Global Operations LLC, or Janus. In December of 2017, DC Capital Partners acquired Janus and shortly thereafter formed Caliburn International (“Caliburn”) to govern Janus and three other acquired organizations.

The task order was structured as a time and materials award. At the time of award, the initial total estimated costs amounting to \$8,780,343, of which \$2,500,000 was funded. The task order’s period of performance was established as March 24, 2012, through March 23, 2013, with option periods extending to March 23, 2017. There were twenty-eight (28) modifications made to the task order throughout the period of performance. The modifications revised the total estimated amount of the task order to \$24,943,314 and extended the period of performance to September 23, 2017. The modifications are summarized below:

| Modification No. | Highlights  |
|------------------|---|
| 1                | <ul style="list-style-type: none"> <li>Incremental funding increase of \$2,500,000 to \$5,300,000</li> </ul>  |
| 2                | <ul style="list-style-type: none"> <li>Incremental funding increase of \$500,000 to \$5,800,000</li> <li>Incorporate additional requirements to the contract</li> </ul>   |
| 3                | <ul style="list-style-type: none"> <li>Incremental funding increase of \$1,217,323 to \$7,017,323</li> <li>Incorporate the administrative changes</li> <li>Key personnel changes</li> </ul>   |
| 4                | <ul style="list-style-type: none"> <li>Incremental funding increase of \$1,763,020 to \$8,780,343</li> </ul>  |
| 5                | <ul style="list-style-type: none"> <li>Extend in period of performance by 12 months (Option Year 1) from March 23, 2013 to March 23, 2014</li> <li>Increase in estimated cost from \$8,780,343 to \$12,474,611</li> <li>Incremental funding increase of \$1,000,000 to \$9,780,343</li> <li>Budget realignment</li> </ul> |
| 6                | <ul style="list-style-type: none"> <li>Increase in estimated cost from \$12,474,611 to \$13,278,611</li> <li>Incremental funding increase of \$3,251,025 to \$13,031,368</li> <li>Extend period of performance by 12 months (Option Year 2) from March 23, 2014 to March 23, 2015</li> </ul>                              |
| 7                | <ul style="list-style-type: none"> <li>Increase in estimated cost from \$13,278,611 to \$13,841,426</li> <li>Incremental funding increase of \$562,815 to \$13,594,183</li> <li>Budget realignment</li> </ul>   |
| 8                | <ul style="list-style-type: none"> <li>Increase in estimated cost from \$13,841,426 to \$15,291,426</li> <li>Incremental funding increase of \$1,450,000 to \$15,044,183</li> </ul>   |
| 9                | <ul style="list-style-type: none"> <li>Budget realignment</li> </ul>  |

| Modification No. | Highlights   |
|------------------|--|
| 10               | <ul style="list-style-type: none"> <li>• Increase in estimated cost from \$15,291,426 to \$16,778,611</li> <li>• Incremental funding increase of \$1,487,185 to \$16,531,368</li> </ul>  |
| 11               | <ul style="list-style-type: none"> <li>• Budget realignment</li> </ul>   |
| 12               | <ul style="list-style-type: none"> <li>• Extend period of performance by 12 months (Option Year 3) from March 23, 2015 to March 23, 2016</li> <li>• Budget realignment</li> </ul>  |
| 13               | <ul style="list-style-type: none"> <li>• Budget realignment</li> </ul>   |
| 14               | <ul style="list-style-type: none"> <li>• Increase in estimated cost from \$16,778,611 to \$19,731,242</li> <li>• Incremental funding increase of \$2,500,000 to \$19,031,368</li> <li>• Correct errors</li> </ul>  |
| 15               | <ul style="list-style-type: none"> <li>• Incremental funding increase of \$452,631 to \$19,483,999</li> </ul>  |
| 16               | <ul style="list-style-type: none"> <li>• Extend period of performance by 12 months (Option Year 4) from March 23, 2016 to March 23, 2017</li> <li>• Increase in estimated cost from \$19,731,242 to \$23,336,546</li> <li>• Incremental funding increase of \$3,305,304 to \$22,789,304</li> </ul> |
| 17               | <ul style="list-style-type: none"> <li>• Remove excess property and transfer to PM/WRA</li> </ul>  |
| 18               | <ul style="list-style-type: none"> <li>• Change contractor name from Sterling International Group, LLC to Janus Global Operations LLC to align with corporate name change of Sterling International Group, Inc. to Janus Global Operations on April 4, 2016</li> </ul>                             |
| 19               | <ul style="list-style-type: none"> <li>• Remove and dispose of contractor acquired and government provided property</li> <li>• Budget realignment</li> </ul>   |
| 20               | <ul style="list-style-type: none"> <li>• Extend period of performance by 6 months from March 23, 2017 to September 23, 2017</li> <li>• Increase in estimated cost from \$23,336,546 to \$25,210,231</li> <li>• Incremental funding increase of \$600,000 to \$23,389,304</li> </ul>                |
| 21               | <ul style="list-style-type: none"> <li>• Reprogram obligated funds from base award NADR-CWD to NADR-CWD-OCO</li> <li>• Increase in estimated cost from \$25,210,231 to \$28,644,338</li> <li>• Incremental funding increase of \$3,434,107 to \$26,823,410</li> </ul>                              |
| 22               | <ul style="list-style-type: none"> <li>• De-obligate funding due to realignment in in modification 21</li> <li>• Decrease in estimated cost from \$28,644,338 to \$24,954,279</li> <li>• Incremental funding decrease of \$3,690,059 to \$23,133,351</li> </ul>                                    |
| 23               | <ul style="list-style-type: none"> <li>• Incremental funding increase of \$323,828 to \$23,457,179</li> </ul>  |
| 24               | <ul style="list-style-type: none"> <li>• Incorporate additional requirements to the contract</li> </ul>  |
| 25               | <ul style="list-style-type: none"> <li>• Budget realignment</li> </ul>   |
| 26               | <ul style="list-style-type: none"> <li>• Budget realignment</li> </ul>   |
| 27               | <ul style="list-style-type: none"> <li>• Incremental funding increase of \$891,096 to \$24,348,275</li> </ul>  |
| 28               | <ul style="list-style-type: none"> <li>• De-obligate funding from the award of \$10,964</li> <li>• Decrease in estimated cost from \$24,954,279 to \$24,943,314</li> <li>• Budget realignment</li> </ul>   |

The audit's scope included activity within the period March 24, 2015 through September 23, 2017, inclusive of closeout procedures. Within the period under audit, Janus reported \$7,679,200 in costs incurred.

## Work Performed

The Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) engaged Crowe LLP (“Crowe” or “we” or “our”) to conduct a financial closeout audit of Task Order for the period March 24, 2015 through September 23, 2017.

## Objectives Defined by SIGAR

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

### **Audit Objective 1 – Special Purpose Financial Statement**

Express an opinion on whether the Janus’ Special Purpose Financial Statement (“SPFS”) for the task order presents fairly, in all material respects, revenues earned, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the 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’s 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 SPFS or other financial data significant to the audit objectives.

## Scope

The scope of the audit included the period March 24, 2015 through September 23, 2017. The audit was limited to those matters and procedures pertinent to the task order that have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Costs and Activities;
- Cash Management; and
- Procurement.

## Methodology

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

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

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

Audit Objective 3 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the task order. Crowe identified – through review and evaluation of the task order from DOS to Janus – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including, but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected transactions, payment requests, and procurements for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess Janus's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the Incurred Cost Submission submitted by Janus. We also performed procedures to determine if adjustments to billings that were based on preliminary or provisional rates were made, as required and applicable.

Regarding Audit Objective 4, Crowe inquired of Janus, SIGAR, and OAM personnel participating in the audit entrance conference to understand whether there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. As a result of the aforementioned efforts, we identified three prior reports – two of which contained findings and recommendations. In each instance, Crowe reviewed prior audit reports to ascertain whether findings may be direct and material to the audit objectives. In any instances where findings may be direct and material to the audit objectives, Crowe reviewed prior audit reports to determine whether corrective action from any of the prior findings and recommendations was denoted as unresolved, inadequate, or otherwise incomplete such that additional follow-up is necessary. Two open findings were identified that may be direct and material to the audit objectives.

## Summary of Results

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

Crowe issued a qualified opinion on the SPFS due to the audit's having reported \$208,748 in questioned costs, which is material to the SPFS.

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

In response to the identified instances of noncompliance, Crowe reported \$208,748 in questioned costs. SIGAR requires questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by the audited contract or applicable laws and regulations, or that are unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or did not have the required prior approvals or authorizations. The following summary is intended to present an overview of the audit results and is not intended to be a representation of the audit's results in their entirety. The summary includes questioned costs reported by Crowe – questioned costs in Finding 2017-01 are classified as ineligible and questioned costs in Findings 2017-02 and 2017-03 are classified as unsupported.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to Janus' financial performance under this task order. Based on Crowe's communications with Janus, SIGAR, and DOS. We identified three prior audit reports which two of the reports included findings and recommendations, of which two findings were direct and material to the award. Per review of these reports, Crowe determined that the reports did not include auditor recommendations, corrective actions, or management responses. Therefore, Crowe's follow-up procedures were limited to 1) determining whether the previously noted conditions were identified during Crowe's audit; and 2) where applicable, inquiring of DOS regarding the eligibility of corporate tax costs payable to the Government of the Islamic Republic of Afghanistan ("GIROA"). Based on Crowe's procedures, we considered the finding related to corporate tax payable to have been invalidated based on DOS's feedback and review of the agreement between DOS and the GIROA, and the second finding was not repeated.

#### **Schedule of Findings and Questioned Costs**

| Finding No.                    | Finding Name   | Classification                           | Questioned Costs (USD) |
|--------------------------------|--|--|------------------------|
| 2017-01                        | Cost Incurred in Excess of Authorized Funding Levels               | Significant Deficiency and Noncompliance | \$15,761               |
| 2017-02                        | Inadequate Supporting Documentation to Support Incurred Costs      | Deficiency and Noncompliance             | \$ 213                 |
| 2017-03                        | Incomplete Procurement Files and Related Party Transaction Support | Material Weakness and Noncompliance      | \$192,774              |
| <b>Total Questioned Costs:</b> |  |  | <b>\$208,748</b>       |

### Summary of Management Comments

Crowe has received responses from Janus' Management to the three (3) findings reported. Janus agreed with Finding 2017-01 Costs Incurred in Excess of Authorized Funding Levels as they indicated that these costs have not been billed to the Government and they are requesting a modification to the contract to address the questioned costs.

Janus disagreed with Finding 2017-02, Inadequate Supporting Documentation to Support Incurred Costs. Management disagreed with Crowe's conclusion that the questioned costs were not adequately supported by documentation because Janus located the documentation after the audit cut-off date. Since Crowe did not receive such documentation the finding stands as originally written. Janus disagreed with Finding 2017-

03, Incomplete Procurement Files and Related Party Transaction Support. Management disagreed with Crowe's conclusion that a purchase order issued to a vendor constituted a related party transaction. The definition provided in the condition statement "Issuance of the purchase order to an entity under common control and for which Janus could significantly influence both management and operating decisions" constitutes a related party transaction. Therefore, the finding and questioned cost remained. Management further disagreed with Crowe's conclusion that the questioned costs were not adequately supported by documentation because Janus located the documentation after the audit cut-off date. Therefore, the finding and questioned cost remains unchanged.

## Reference to Appendices

The auditor's reports are supplemented by two appendices: **Appendix A**, which contains management's responses to the audit findings and **Appendix B**, which contains Crowe's rebuttal.

## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the Board of Directors of Caliburn International and Management of Janus Global Operations LLC  
2265 Old Highway 95  
Lenoir City, Tennessee 37771

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 Special Purpose Financial Statement (the "Statement") of Janus Global Operations ("Janus"), and related notes to the Statement, with respect to task order number SAQMMA12F1101 funding Humanitarian Mine Action, Conventional Weapons Destruction, and Technical Assistance in Afghanistan for the period March 24, 2015, through September 23, 2017.

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

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of task order number SAQMMA12F1101. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

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(Continued)

### ***Basis for Qualified Opinion***

We identified \$208,748 in questioned costs resulting from noncompliance with the terms and conditions of task order number SAQMMA12F1101 and failure to include a note disclosure regarding a related party transaction between Janus and Sterling Operations, Inc., which are material to the Statement. If the costs were allowable and Janus had incorporated the note disclosure in its notes to the Statement, the Statement would be considered to be fairly presented, in all material respects.

### ***Qualified Opinion***

In our opinion, except for the effects of the matters 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 balance for the indicated period in accordance with the basis of presentation and accounting described in Notes 1, 2, 4, 5, and 6.

### ***Basis of Presentation and Accounting***

We draw attention to Notes 1, 2, 4, 5, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in a format required by SIGAR and presents those amounts as permitted under the terms of task order number SAQMMA12F1101, 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 task order referred to above. Our opinion is not modified with respect to this matter.

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

This report is intended for the information of Janus, the U.S. Department of State, and SIGAR. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 10, 2020, on our consideration of Janus's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Janus's internal control over financial reporting and compliance.

*Crowe LLP*  
Crowe LLP

June 10, 2020  
Washington, D.C.

JANUS GLOBAL OPERATIONS  
SPECIAL PURPOSE FINANCIAL STATEMENT  
TASK ORDER NO. SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

|                              | <u>Budget</u>    | <u>Actuals for the Period<br/>Under Audit</u> | <u>Ineligible</u>   | <u>Unsupported</u> | <u>Notes</u> |
|------------------------------|------------------|---|---------------------|--------------------|--------------|
| <b><u>Revenues</u></b>       |                  |   |                     |                    |              |
| Task Order SAQMMA-12-F-1101  |                  | \$ 8,600,667                                  |                     |                    | 4            |
| <b>Total Revenue</b>         |                  | <u>\$ 8,600,667</u>                           |                     |                    |              |
| <b><u>Costs Incurred</u></b> |                  |   |                     |                    |              |
| Afghanistan-Direct Labor     | 4400.003.003.001 | \$ 928,276                                    | \$ 719,645          |                    | 5            |
| Afghan-Other Direct Costs    | 4400.003.003.002 | 2,099,559                                     | 2,071,459           | \$ 39,840          | C            |
| Afghan-Travel Costs          | 4400.003.003.003 | 52,590  | 53,732              | \$ 1,141           | A            |
| Afghan-DBA                   | 4400.003.003.004 | 41,253  | 35,236              |                    |              |
| Afghan-Unbillable Opt 3      | 4400.003.003.999 | -   | 3,221               |                    |              |
| Afghanistan-Direct Labor     | 4400.003.004.001 | 956,561                                       | 822,091             | 100                | B            |
| Afghan-Other Direct Costs    | 4400.003.004.002 | 2,477,520                                     | 2,187,338           | 77,140             | C            |
| Afghan-Travel Costs          | 4400.003.004.003 | 62,602  | 75,618              | 13,016             | A            |
| Afghan-DBA                   | 4400.003.004.004 | 49,590  | 51,195              | 1,604              | A            |
| Afghan-Unbillable Opt 4      | 4400.003.004.999 | -   | 2,759               |                    |              |
| Afghanistan-Direct Labor     | 4400.003.005.001 | 967,718                                       | 474,236             |                    |              |
| Afghan-Other Direct Costs    | 4400.003.005.002 | 1,731,357                                     | 1,113,617           | 33,907             | B,C          |
| Afghan-Travel Costs          | 4400.003.005.003 | 72,249  | 40,158              |                    |              |
| Afghan-DBA                   | 4400.003.005.004 | 52,487  | 26,567              |                    |              |
| Afghan-Unbillable Opt 5      | 4400.003.005.999 | -   | 2,327               |                    |              |
| <b>Total Costs Incurred</b>  |                  | <u>\$ 9,491,763.18</u>                        | <u>\$ 7,679,200</u> | <u>\$ 42,000</u>   | C            |
| <b>Fixed Fee</b>             |                  |   | \$ 921,467          |                    |              |
| <b>Balance</b>               |                  | <u>\$ -</u>                                   | <u>\$ 15,761</u>    | <u>\$ 192,987</u>  | 6            |

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

JANUS GLOBAL OPERATIONS  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT  
TASK ORDER NO. SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Task Order Number SAQMMA12F1101 for Humanitarian Mine Action, Conventional Weapons Destruction and Technical Assistance in Afghanistan for the period March 24, 2015, through September 23, 2017. The task order was issued under contract number SAQMMA11D0103. Because the Statement presents only a selected portion of the operations of the Janus Global Operations (Contractor), it is not intended to and does not present the financial position, changes in net assets, or cash flows of Contractor. 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 contractor. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – BASIS OF ACCOUNTING**

Revenues and expenditures on the Statement are reported on an accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Federal Acquisition Regulations and CASB Cost Accounting Standards., wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – FOREIGN CURRENCY CONVERSION METHOD**

For purposes of preparing the Statement, conversions from local currency to United States dollars were done using the rate in effect at the time of each transaction. Conversions were completed on a monthly basis, but each transaction was converted using the rate in effect on the date of the transaction.

**NOTE 4 – REVENUES**

Revenues on the Statement represent the amount of funds to which the Contractor is entitled to receive from the Department of State for allowable, eligible costs incurred and applicable fees under the task order during the period of performance.

**NOTE 5 – COSTS INCURRED BY BUDGET CATEGORY**

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved task order, as modified.

**NOTE 6 – BALANCE**

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the contract and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made. A modification will be required to increase the contract value to include tax payments not originally priced.

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(Continued)

JANUS GLOBAL OPERATIONS  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT  
TASK ORDER NO. SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

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**NOTE 7 – CURRENCY**

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

**NOTE 8 – PROGRAM STATUS**

The Conventional Weapons Destruction and Technical Assistance in Afghanistan is complete.

**Note 9. FIXED FEE**

During the period under audit, Janus recognized \$921,467 in fee earned, which is reported on the Statement.

**Note 10. NAME CHANGE**

Effective April 4, 2016, Sterling completed an organizational re-structuring thereby changing its name from Sterling Operations, Inc. to Janus Global Operations LLC.

**Note 11. INDIRECT COSTS**

Janus recorded indirect costs on the Statement using rates reported in the Incurred Cost Submissions. The rates reflect estimates based on Janus's audited financial statements pending finalization of rates by the U.S. Government. Amounts recorded for indirect costs are, therefore, subject to revision.

**Note 12. SUBSEQUENT EVENTS**

Management has performed an analysis of the activities and transactions subsequent to the March 24, 2015, through September 23, 2017, period covered by the Statement. Management has performed their analysis through June 10, 2020.

JANUS GLOBAL OPERATIONS  
NOTES TO THE QUESTIONED COSTS PRESENTED ON THE  
SPECIAL PURPOSE FINANCIAL STATEMENT  
TASK ORDER NO. SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

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- A. Finding 2017-01 questioned \$15,761 because of Janus's having exceeded the approved funding limits in Contract Line Item Numbers (CLINs) related to travel costs and Defense Base Act (DBA) insurance costs
- B. Finding 2017-02 questioned \$213 because of Janus failing to provide adequate supporting documentation for two transactions within the sample of costs incurred under the task order.
- C. Finding 2017-03 questioned \$192,774 as a result of Janus failing to provide adequate procurement file documentation to support reasonableness of costs incurred under the task order.

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

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors of Caliburn International and Management of Janus Global Operations LLC  
2265 Old Highway 95  
Lenoir City, Tennessee 37771

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of Janus Global Operations ("Janus"), and related notes to the Statement, with respect to task order number SAQMMA12F1101 funding Humanitarian Mine Action, Conventional Weapons Destruction, and Technical Assistance in Afghanistan for the period March 24, 2015, through September 23, 2017. We have issued our report thereon dated June 10, 2020, within which we have qualified our opinion.

**Internal Control over Financial Reporting**

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

In planning and performing our audit of the Statement for the period March 24, 2015, through September 23, 2017, we considered Janus's internal controls to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of Janus's internal control. Accordingly, we do not express an opinion on the effectiveness of Janus's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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(Continued)

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-03 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-01 to be a significant deficiency.

### **Janus's Response to the Findings**

Janus's response to the findings identified in our audit are described in Appendix A of this report. Janus's response was not subjected to the auditing procedures applied in the audit of the 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

### **Restriction on Use**

This report is intended for the information of Janus Global Operations, the United States Department of State, and SIGAR. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

  
Crowe LLP

June 10, 2020  
Washington, D.C.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Directors of Caliburn International and Management of Janus Global Operations LLC  
2265 Old Highway 95  
Lenoir City, Tennessee 37771

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of Janus Global Operations ("Janus"), and related notes to the Statement, with respect to task order number SAQMMA12F1101 funding Humanitarian Mine Action, Conventional Weapons Destruction, and Technical Assistance in Afghanistan for the period March 24, 2015, through September 23, 2017. We have issued our report thereon dated June 10, 2020, within which we have qualified our opinion.

### **Management's Responsibility for Compliance**

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the task order is the responsibility of the management of Janus Global Operations.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed three 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 2017-01, 2017-02, and 2017-03.

### **Janus's Response to the Findings**

Janus's response to the findings identified in our audit are described in Appendix A of this report. Janus' response was not subjected to the auditing procedures applied in the audit of the 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.

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(Continued)

**Restriction on Use**

This report is intended for the information of Janus Global Operations, the United States Department of State, and SIGAR. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

*Crowe LLP*  
Crowe LLP

June 10, 2020  
Washington, D.C.

JANUS GLOBAL OPERATIONS LLC  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TASK ORDER SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

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**FINDING 2017-01: Costs Incurred In Excess of Authorized Funding Levels**

Significant Deficiency in Internal Control and Noncompliance

**Condition:** During our audit of the Special Purpose Financial Statement, we noted Janus exceeded the authorized funding levels for the following Contract Line Item Numbers (CLINs) related to travels and Defense Base Act (DBA) insurance. The resulting overage of \$15,761 across all three CLINs is in question. Janus represented that the costs were not submitted to the Government for reimbursement; however, Janus did not provide documentation supporting the assertion.

| CLIN          | Authorized Funding Level | Actual Costs Incurred | Overage         |
|---------------|--------------------------|-----------------------|-----------------|
| 3003          | \$52,590                 | \$53,731              | \$1,141         |
| 4003          | \$62,602                 | \$75,618              | \$13,016        |
| 4004          | \$49,590                 | \$51,195              | \$1,604         |
| <b>TOTALS</b> |                          |                       | <b>\$15,761</b> |

**Criteria:** Pursuant to Task Order SAQMMA12F1101, as modified, total authorized costs for CLINs 3003, 4003, and 4004 totaled \$164,782.

FAR 652.232-72, as incorporated into the task order, states, "...only the amount stated on the contract award document or subsequent modifications is now available for payment and obligated under this contract."

**Questioned Costs:** \$15,761 in ineligible costs

**Effect:** The Government was charged a greater amount than authorized which reduced funds available for program service delivery.

**Cause:** Janus incurred the costs and considered them appropriate pending execution of a task order funding realignment. In addition, Janus's documented procedures did not address instances in which actual costs exceed authorized costs per CLIN.

**Recommendation:** We recommend that Janus:

1. Provide evidence that the costs were not submitted for reimbursement or reimburse the Government \$15,761;
2. Modify existing procedures to require Janus personnel to obtain written authorization of funding realignments prior to exceeding funding limits presented within task orders.

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(Continued)

JANUS GLOBAL OPERATIONS LLC  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TASK ORDER SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

**FINDING 2017-02: Inadequate Supporting Documentation to Support Incurred Costs**

Deficiency in Internal Control and Noncompliance

**Condition:** Crowe selected 73 of 4,841 transactions supporting the Special Purpose Financial Statement for testing of allowability. Janus did not provide adequate supporting documentation for two transactions totaling \$213. In the absence of adequate supporting documentation, the resultant costs are in question. The costs are summarized below:

| Selection #         | Account ID | Account Name     | Fiscal Year | Period | Sub-Period | Transaction Description         | Amount          | Notes   |
|---------------------|------------|------------------|-------------|--------|------------|---------------------------------|-----------------|---|
| 28                  | 4136-001   | TAXES & LICENSES | 2016        | 12     | 2          | KAB HQ CL<br>060116-60516       | \$99.67         | Only support provided was the Journal entry and Project Status Report (PSR) entry |
| 60                  | 4140-001   | OTHER ODCS       | 2017        | 7      | 2          | Excess baggage; DXB - KBL; 25 J | \$112.96        | The support file provided does not appear to address excess baggage charges.      |
| <b>Total Costs:</b> |            |                  |             |        |            |                                 | <b>\$212.63</b> |   |

**Criteria:** 48 CFR 31.201-2(d), Determining allowability, "A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost that is inadequately supported."

**Questioned Costs:** \$213 in unsupported costs

**Effect:** The Government may have reimbursed costs that were not allocable to the task order or that otherwise did not contribute to the scope of work.

**Cause:** Janus merged with Caliburn International and encountered difficulty locating records at the time of our audit, as a result. In addition, Janus's Corporate Finance and Accounting Work Instruction 04, *Accounts Payable Processing*, did not address Janus's process for retention of records supporting costs incurred to ensure proper retention.

**Recommendation:** We recommend that Janus:

1. Either locate the supporting documentation for the \$213 in costs or otherwise reimburse the Government \$213;
2. Mitigate the risk of losing paper records by developing and implementing records retention procedures and fully implementing the electronic document retention system; and
3. Modify its accounts payable procedures to address records retention procedures.

(Continued)

JANUS GLOBAL OPERATIONS LLC  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TASK ORDER SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

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**FINDING 2017-03: Incomplete Procurement Files and Related Party Transaction Support**

Material Weakness in Internal Control and Noncompliance

**Condition:** We selected six of eight purchase orders issued by Janus during the audit period for testing. During our procedures, we noted the following:

- Janus issued a purchase order for fuel in the amount of \$42,000 to Sterling Operations, Inc. (“Sterling”), the legal entity associated with Janus that is licensed to do business in Afghanistan. Issuance of the purchase order to an entity under common control and for which Janus could significantly influence both management and operating decisions results in the transaction with Sterling being considered a related party transaction. Janus did not disclose the transaction as a related party transaction within the notes to the SPFS.
- Janus’s procurement procedures did not document a process for the issuance of procurement instruments to entities with a relationship to Janus, including required supporting documentation and approvals.
- Janus did not include documentation to indicate the internal charges for the fuel are reasonable and in alignment with the costs/prices that would have been charged had the transaction been an arm’s length transaction. A sole or single source justification form was also not completed as required by Janus’s procedures. Therefore, the costs incurred under Purchase Order 3000161 are in question. (\$42,000)
- Janus did not provide documentation demonstrating that the company completed Visual Compliance and/or System for Award Management searches for three vendors representing five of the six procurements tested prior to awarding purchase orders.
- The Afghanistan business license for Safeway Logistics Service Co. (Safeway) provided to Crowe expired prior to the start of the audit period. Janus was unable to provide a copy of the valid business license for Safeway. Therefore, Safeway’s costs are in question. (\$150,744)
- For three of the four vendors with purchase orders valued greater than \$35,000, Janus did not provide a copy of the vendor’s certification regarding its status as not being considered a suspended, debarred, or proposed for debarment entity.

During our discussions with management and review of current procurement documentation practices Caliburn is implementing, we noted the company is in the process of implementing electronic records retention procedures. The procedures were not, however, implemented during the audit period.

**Criteria:** 48 CFR 31.201-2(d), Determining allowability, “A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost that is inadequately supported.”

48 CFR 31.201-3(a), Determining reasonableness, “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.”

48 CFR 52.209-6(c), Protecting the Government’s Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment, “The Contractor shall require each proposed subcontractor whose subcontract will exceed \$35,000, other than a subcontractor providing a commercially available off-the-shelf item, to disclose to the Contractor, in writing, whether as of the time of award of the subcontract, the subcontractor, or its principals, is or is not debarred, suspended, or proposed for debarment by the Federal Government.”

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(Continued)

JANUS GLOBAL OPERATIONS LLC  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TASK ORDER SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

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The Afghanistan Investment Support Agency (“AISA”) states, “Investment in any country requires legal registration/license to perform its business activities. Similar is the case for investing and starting business in Afghanistan.”<sup>1</sup>

Article 02, “Having License”, of the *Corporations and Limited Liability Companies Law of Afghanistan*, states, “No person can transact business or advertise as a corporation and limited liability company in Afghanistan without having a business license registered in the Central Registry.”<sup>2</sup>

**Questioned Costs:** \$192,774 in unsupported costs

**Effect:** The Government may have reimbursed costs that were not allocable to the task order or that otherwise did not contribute to the scope of work. In addition, Janus is at greater risk of providing funds to excluded or inappropriate parties due to a lack of retaining certifications and business licenses.

**Cause:** Janus merged with Caliburn International and encountered difficulty locating records timely, as a result. In addition, Janus’ procurement policy does not sufficiently document procedures for internal, related party transactions competitive bidding requirements, vendor documentation requirements (including licenses and suspension/debarment checks), or record retention requirements.

**Recommendation:** We recommend that Janus:

1. Either locate documentation supporting the reasonableness of costs and validity of the Safeway Logistics Service Company’s business license for the full audit period or otherwise reimburse the Government \$192,774.
2. Mitigate the risk of losing paper records by developing and implementing records retention procedures and fully implementing the electronic document retention system.
3. Have an independent review of all procurement documentation for the task order conducted to identify other missing procurement documentation, if any, and provide the resulting report to the Department of State for appropriate action;
4. Modify existing procedures to require periodic review of vendors’ business licenses for validity;
5. Provide training to procurement personnel regarding necessary supporting documentation for related party transactions, identification of related parties, and records retention.

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<sup>1</sup> Afghanistan Investment Support Agency. <https://investinafghanistan.af/starting-a-business-in-afghanistan/index.html> ; accessed 26 March 2020.

<sup>2</sup> “Corporations and Limited Liability Companies Law of Afghanistan,” accessed on 31 March 2020. <https://afghaneconomics.com/law/1/Corporation%20and%20Limited%20Liability%20Law.pdf>

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JANUS GLOBAL OPERATIONS LLC  
SECTION II: SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT FINDINGS  
TASK ORDER NUMBER SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

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Crowe reviewed three prior audit, review, or assessment reports. Two of the reports contained findings and recommendations. We assessed the findings to ascertain whether the matters may be direct and material to the Special Purpose Financial Statement or other financial information significant to the audit objectives. In addition, we reviewed the auditors' comments regarding the status of prior audit findings.

The reports reviewed by Crowe are listed below.

1. Audit Report No. 3211-2015B10100033 Independent Audit Report on Janus Global Operations, LLC's Proposed Amounts on Unsettled Flexibly Priced Contracts for CFY 2015;
2. Audit Report Nos. 3211-2016B10100001 and 3211-2017B10100001 Independent Audit Report on Janus Global Operations, LLC's Proposed Amounts on Unsettled Flexibly Priced Contracts for CFY 2016 and 2017; and
3. SIGAR Audit 18-72 Department of the Army's Afghanistan-Wide Mine, Battle Area, and Range Clearance Operation – Phase II, Effort 1: Audit of Costs Incurred by Janus Global Operations LLC.

Per our review of the reports, Crowe identified two prior findings that required follow up on corrective action. Neither finding contained management responses, auditor recommendations, or corrective action. Therefore, the scope of Crowe's review was limited to our testing. Based on Crowe's procedures, we considered one finding related to corporate tax payable to have been invalidated based on DOS's feedback and review of the agreement between DOS and the GIRoA, and the second finding was not repeated.

**Finding No. 2017-01: Claimed Unallowable Foreign Tax Expense**

**Report:** Audit Report Nos. 3211-2016B10100001 and 3211-2017B10100001 Independent Audit Report on Janus Global Operations, LLC's Proposed Amounts on Unsettled Flexibly Priced Contracts for CFY 2016 and 2017

**Issue:** The audit also disclosed that JGO claimed unallowable foreign tax expense of \$210,856 and \$145,882, for FYs 2016 and 2017, respectively, as a direct cost under SAQMMA-11-D-0103 in non-compliance with contract terms and FAR 52.229-8, "Taxes - Foreign Cost-Reimbursement Contracts.

**Status:** Regarding corporate taxes levied by the Government of the Islamic Republic of Afghanistan ("GIRoA"), Crowe reviewed the negotiated agreement between the United States Department of State and the GIRoA waiving corporate tax payments for U.S.-based contractors and noted the effective date of the agreement was July 2018 - subsequent to our audit period and the dates noted in the prior audit finding. Therefore, the foreign tax expenses were not expressly unallowable until 2018 and no corrective action was required with respect to this matter. We did, however, conduct allowability testing to assess whether there were unallowable taxes charged. During testing of allowable costs, we did not identify any unallowable tax costs.

**Finding No. 2017-02: Claimed Unallowable Withholding Tax**

**Report:** Audit Report No. 3211-2015B10100033 Independent Audit Report on Janus Global Operations, LLC's Proposed Amounts on Unsettled Flexibly Priced Contracts for CFY 2015

**Issue:** Questioned \$36,841 of life support costs for unallowable Afghan Withholding Tax in accordance with FAR 31.201-2

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(Continued)

JANUS GLOBAL OPERATIONS LLC  
SECTION II: SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT FINDINGS  
TASK ORDER NUMBER SAQMMA12F1101  
For the Period March 24, 2015, through September 23, 2017

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**Status:** Janus did not agree with the finding, and the audit report contained neither recommendations from the auditor nor management's responses. Janus continued to execute reviews of transactions for allowability prior to invoicing the Government for the charges. During our testing of allowable costs, we did not identify any unallowable tax costs. Therefore, the finding is not repeated.

## Appendix A: Views of Responsible Officials

### **Finding 2017-01: Cost Incurred in Excess of Authorized Funding Levels**

#### **Management Response:**

These final amounts have not been billed to date but will be settled with the Department of State once final tax liabilities are determined and a modification to the contract is made. A request for modification and approval to bill was submitted on May 13, 2020.

### **Finding 2017-02: Inadequate Supporting Documentation to Support Incurred Costs**

#### **Management Response**

While we were unable to supply the requested documents prior to the audit cut-off date, the documents supporting these costs were provided to the audit team and are available for review by the Department of State and the Office of the Special Inspector General for Afghanistan Reconstruction.

### **Finding 2017-03: Incomplete Procurement Files and Related Party Transaction Support**

#### **Management Response:**

For PO 3000161 Sterling Operations, Inc. - Questioned Costs: \$42,000

During the audit, we explained on several occasions that this was an internal PO used to track the fuel used under this program and was not a related party transaction that required normal Procurement processes. We have subsequently revised our policies to handle these transactions differently in following years.

For PO 3000159 and 3000251 Safeway Logistics - Questioned Costs: \$150,774

During the audit, we provided a copy of the PO 3000159, the PR, the bid analysis, and competitive bids. While we were unable to locate the Visual Compliance/SAM and a copy of Safeway Logistics' AFG business license before the audit cut-off date due to system access issues, they have been located and provided now and are available for review by the Department of State and the Office of the Special Inspector General for Afghanistan Reconstruction.

## Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe" or "we" or "us") has reviewed Janus Global Operations, Inc.'s ("Janus" or "the Auditee") management response to the audit findings. In consideration of the management views, Crowe has included the following rebuttal to certain matters presented by the Auditee. A rebuttal has been included in those instances where management disagreed with the facts presented within the condition or otherwise did not concur with Crowe's recommendation. Janus disagreed with Findings 2017-02 and 2017-03. Crowe's rebuttal to those findings follows.

### **Finding 2017-02: Inadequate Supporting Documentation to Support Incurred Costs**

Management disagreed with Crowe's conclusion that the questioned costs were not adequately supported by documentation because Janus located the documentation after the audit cut-off date. The cause section of the finding references locating the information at the time of the audit, which spanned several months, and provided an adequate time frame to provide the documentation. Therefore, the finding and questioned cost remains unchanged. In addition, Crowe has not reviewed such documentation referenced in Janus' response as the response is not subject to audit.

### **Finding 2017-03: Incomplete Procurement Files and Related Party Transaction Support**

*Re: PO 3000161 Sterling Operations, Inc. - Questioned Costs: \$42,000*

Management disagreed with Crowe's conclusion that the Purchase Order issued to Sterling constituted a related party transaction. Per the definition provided in the condition statement "Issuance of the purchase order to an entity under common control and for which Janus could significantly influence both management and operating decisions" constitutes a related party transaction. Therefore, the finding and questioned costs remain unchanged.

*Re: PO 3000159 and 3000251 Safeway Logistics - Questioned Costs: \$150,774*

Management disagreed with Crowe's conclusion that the questioned costs were not adequately supported by documentation because Janus located the documentation after the audit cut-off date. The cause section of the finding references locating the information at the time of the audit, which spanned several months, and provided an adequate time frame to provide the documentation. Therefore, the finding and questioned cost remains unchanged. In addition, Crowe has not reviewed such documentation referenced in Janus' response as the response is not subject to audit.

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

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- prevent fraud, waste, and abuse; and
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