

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-42 Financial Audit

Department of the Army's Security Ministries of Afghanistan Advisory Program: Audit of Costs Incurred by Amentum Services Inc.

In accordance with legal requirements, SIGAR has redacted certain information deemed proprietary or otherwise sensitive from this report.



SEPTEMBER
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On August 21, 2019, the U.S. Army Contracting Command (ACC) awarded a 5-year (1 base year and 4 option years), \$32,753,836 contract to DynCorp International to implement the Security Ministries of Afghanistan Advisory program. The program's objective was to help the Afghan Ministries of Interior and Defense assume full responsibility for Afghanistan's self-sustainable security needs through training, advice, and assistance. ACC modified the contract 28 times. The modifications acknowledged the acquisition of DynCorp by Amentum Services Inc. (Amentum), revised the start date to December 19, 2019, and increased the total award amount to \$43,580,655. ACC terminated the contract for convenience effective August 31, 2021.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$ [REDACTED] in costs charged to the contract from December 19, 2019, through August 31, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Amentum's internal controls related to the contract; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Amentum has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Amentum's Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. SIGAR's review disclosed no instances wherein Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

September 2022

Department of the Army's Security Ministries of Afghanistan Advisory Program: Audit of Costs Incurred by Amentum Services Inc.

SIGAR 22-42-FA

WHAT SIGAR FOUND

Conrad identified one deficiency in Amentum's internal controls and one instance of noncompliance with the terms of the contract. Conrad identified 3 instances out of 294 sampled transactions in which cashier's checks for employee visas were purchased, charged to the government, but never used. The costs were not refunded to the government.

The internal control deficiency and instance of noncompliance resulted in \$940 in total questioned costs, consisting entirely of \$940 in ineligible costs—costs prohibited by the contract and applicable laws and regulations. Conrad did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Travel	\$940	\$0	\$940
Total Costs	\$940	\$0	\$940

Conrad identified six prior audit reports that were relevant to Amentum's contract. The reports had three findings that could have a material effect on the SPFS. Conrad conducted follow-up procedures and concluded that Amentum had not taken adequate corrective action on any of the findings.

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

WHAT SIGAR RECOMMENDS

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

1. Determine the allowability of and recover, as appropriate, \$940 in questioned costs identified in the report.
2. Advise Amentum to address the report's one internal control finding.
3. Advise Amentum to address the report's one noncompliance finding.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

September 26, 2022

The Honorable Lloyd J. Austin III
Secretary of Defense

The Honorable Christine Wormuth
Secretary of the Army

Brigadier General Christine A. Beeler
Commanding General, U.S. Army Contracting Command

We contracted with Conrad LLP (Conrad) to audit the costs incurred by Amentum Services Inc. under an Army Contracting Command 5-year contract to implement the Security Ministries of Afghanistan Advisory program.¹ The program's objective was to help the Afghan Ministries of Interior and Defense assume full responsibility for Afghanistan's self-sustainable security needs through training, advice, and assistance. Conrad reviewed \$ [REDACTED] in costs charged to the contract from December 19, 2019, through August 31, 2021. Our contract with Conrad required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$940 in questioned costs identified in the report.**
- 2. Advise Amentum to address the report's one internal control finding.**
- 3. Advise Amentum to address the report's one noncompliance finding.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Amentum's Special Purpose Financial Statement, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated June 8, 2022, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-235)

¹ The contract number is W560MY-19-C-0002.

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the U.S. Department of Defense Army
Contracting Command, for the Security Ministries of Afghanistan Advisory Program

For the period December 19, 2019 through August 31, 2021

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June 8, 2022

Board of Directors
Amentum Services, Inc.
Germantown, MD

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

Conrad LLP (referred to as "Conrad" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of Amentum Services, Inc.'s Special Purpose Financial Statement for costs incurred under Contract No. W560MY-19-C-0002 awarded by the Department of Defense Army Contracting Command, for the Security Ministries of Afghanistan Advisory Program, for the period of December 19, 2019 through August 31, 2021.

On April 21, 2022, we provided SIGAR with a draft report reflecting our audit procedures and results. Amentum received a copy of the report on May 11, 2022; and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and Amentum. Amentum's responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

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

Sincerely,

A handwritten signature in blue ink that reads "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA
Partner

Amentum Services, Inc.

Financial Audit of Costs Incurred Under Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Background

On August 21, 2019, the United States Department of Defense (“DoD”) Army Contracting Command (“ACC”) awarded a five-year Combination type contract under Contract number W560MY-19-C-0002 (the “Contract” or “Award”) to DynCorp International (“DynCorp”) subsequently known as Amentum Services, Inc. (“Amentum”) to implement a Security Ministries of Afghanistan Advisory Program (“SMAAP”) for the Combined Security Transition Command – Afghanistan (“CSTC-A”).

According to the Contract and performance of work statement, the activity supported the CSTC-A’s goal to train, advise, and assist the Ministry of Interior (“MoI”) and the Ministry of Defense (“MoD”) and other security institutions as identified by Resolute Support Headquarters (“HQ”).

Amentum shall provide all personnel, equipment, supplies, facilities, transportation, tools, materials, clearances, certifications, supervision, and other items and non-personal services necessary to perform dedicated in-depth security assistance training, advising, subject matter expertise, assistance, and programmatic support to this program in order to assist Afghanistan’s Ministry of Interior and Ministry of Defense in assuming full responsibility of Afghanistan’s own self-sustainable security needs.

As detailed in the *Summary of Contract* section on the following page, the initial approved budget for the SMAAP program was \$32,753,836, which included \$17,227,974 under Time and Materials (“T&M”), \$9,148,862 under Firm Fixed Price (“FFP”), and \$6,377,000 under Cost Reimbursement (“Cost”). The initial performance period for the Contract was from August 21, 2019 through August 20, 2024 which included the base year and four option years. There were 28 subsequent modifications to the Contract during our audit period, which changed the start of the Contract to December 19, 2019 and increased the contract amount to \$43,580,655, which included \$15,233,475 under FFP, \$16,631,492 under T&M, and \$11,715,688 under Cost. On August 25, 2021, DoD-ACC issued a letter citing FAR 52.249-6, which completely terminated the Contract for the convenience of the Government. The contract termination was effective August 31, 2021.

Summary of Contract and Modifications

Contract Number	Contract Type	Original		As Amended		
		Budget (\$)	Original Date	No. of Amendments	Total Final Budget (\$)	End Date
W560MY-19-C-0002	FFP	\$ 9,148,862	08/21/19-08/20/24	28	\$15,233,475	8/31/2021
	T&M	\$ 17,227,974	08/21/19-08/20/24	28	\$16,631,492	8/31/2021
	Cost	\$ 6,377,000	08/21/19-08/20/24	28	\$11,715,688	8/31/2021
Total:		\$32,753,836		28	\$43,580,655	

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Amentum Services, Inc., a privately held government contractor, was established January 31, 2020, after American Securities and Lindsay Goldberg purchased AECOM's Management Services division. On November 20, 2020, Amentum Services, Inc. acquired DynCorp International. DynCorp's contracts were novated to Amentum on May 17, 2021, resulting in a SMAAP contract modification P00026 on June 8, 2021. Amentum is a global technical and engineering service company based in Fort Worth, Texas.

Work Performed

Conrad LLP ("Conrad") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a financial audit of the Contract, as previously mentioned above, of Amentum's Special Purpose Financial Statement ("SPFS") for costs incurred under the Contract totaling \$ [REDACTED] for the period from December 19, 2019, through August 31, 2021.

Objectives, Scope, and Methodology

Audit Objectives

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

- *Special Purpose Financial Statement ("SPFS")* – Express an opinion on whether Amentum's SPFS for the Contract presents fairly, in all material respects, the 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 Contract and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain a sufficient understanding of Amentum's internal controls related to the Contract; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether Amentum complied, in all material respects, with the Contract's requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with the terms of the Contract and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether Amentum 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.

Amentum Services, Inc.

Financial Audit of Costs Incurred Under Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Scope

The scope of this audit included all costs incurred during the period of December 19, 2019 through August 31, 2021 totaling \$ [REDACTED], which included \$ [REDACTED] under the FFP portion, \$ [REDACTED] under the T&M portion and \$ [REDACTED] under the Cost portion of the Contract. Our testing of the Indirect Costs was limited to determining that the indirect costs were calculated using the approved provisional and final rates from the Defense Contract Management Agency ("DCMA"), as applicable for the given fiscal year.

Methodology

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

Entrance Conference

An entrance conference was held on October 14, 2021 with representatives of Amentum, Conrad, SIGAR, and DoD-ACC participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of Amentum. The scope of our audit includes Amentum's management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of Amentum through observations and reading the policies and manuals. In addition, we reviewed the following:
 - Contract/Order and all modifications;
 - Performance Work Statement (PWS);
 - Any regulations that are specific to the Contract's requirements, such as DoD Standard Terms and Conditions, Defense Federal Acquisition Regulation Supplement ("DFARS"), Federal Acquisition Regulation ("FAR") Part 31, and FAR Part 52;
 - Previous SIGAR financial audit reports;
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs were properly recorded.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

Amentum Services, Inc.

Financial Audit of Costs Incurred Under Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

- Reconciled the costs on the SPFS to the Contract and the applicable general ledgers on the Cost Reimbursement portion of the Contract;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Recalculated the indirect cost using the approved DCMA's provisional and final negotiated indirect cost rates to ensure that they were accurately applied
- Sampled and tested the costs incurred to ensure the costs were reasonable, allowable, and allocable to the Cost Reimbursement portion of the Contract; and
- Reviewed personnel costs to ensure they are supported, authorized, reasonable, and allowable.

Internal Controls Related to the Contract

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

Compliance with the Contract's Requirements and Applicable Laws and Regulations

We performed tests of transactions for the Cost Reimbursement portion of the Contract, and tested compliance to the PWS requirements for Firm-Fixed Price and Time and Materials portion of the Contract, to determine whether Amentum complied, in all material respects, with the Contract's requirements, DFARS, FAR Part 31, FAR Part 52, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Contract and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Corrective Action on Prior Findings and Recommendations

Conrad requested from Amentum to identify previous engagements that could have a material effect on Amentum's SPFS. In addition, we conducted a search online of various governmental websites, including SIGAR (www.sigar.mil), Department of Defense (www.defense.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on Amentum's SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 21.

Amentum Services, Inc.

Financial Audit of Costs Incurred Under Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Exit Conference

An exit conference was held on April 6, 2022 via conference call. Participants included representatives from Conrad, Amentum, SIGAR, and DoD-ACC. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

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

Auditor's Opinion on the SPFS

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

We identified \$940 in total questioned costs, which are comprised of \$940 in ineligible costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Contract's provisions or applicable laws and regulations, or not related to the Contract. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

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

Internal Control Findings

Our audit discovered one internal control finding identified as a deficiency. See *Independent Auditor's Report* on Internal Control on page 15.

Compliance Findings

The results of our testing disclosed one instance of non-compliance. See the *Independent Auditor's Report* on Compliance on page 17.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Amentum did not have any instance of alleged fraud during the audit period that could have potentially impacted the Program and the SPFS. As such, there are no further communications warranting additional consideration.

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

The following summarizes the audit results:

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2022-01	Non-Compliance; Internal control – Deficiency	Prepaid Expenses were Charged to the Program without Cost Being Incurred. (Cost CLINs 0010 and 0011)	\$940	\$0	\$940
Total Questioned Costs			\$940	\$0	\$940

Review of Prior Findings and Recommendations

Based on our request and search of prior engagements pertinent to Amentum’s activities under the Contract, we identified six prior audit reports of which two reports had findings. Those two reports contained three findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. We reviewed the corrective actions taken to address these findings and recommendations. Our review procedures included follow-up discussions with management regarding corrective actions taken, reviewed evidence of revised policies and procedures or other applicable recommended actions, additionally we conducted tests of the similar areas surrounding these issues during our current audit. Based on our review, we have concluded that Amentum did not take adequate corrective actions on all three findings. See *Status of Prior Audit Findings* on page 21 for a detailed description of the prior findings and recommendations.

Summary of Amentum’s Responses to Findings

The following represents a summary of the responses provided by Amentum to the findings identified in this report. The complete responses received can be found in **Appendix A** starting at page 24 of this report.

Finding 2022-01 – Amentum agreed with the finding and recommendation to refund the ineligible costs to the DoD-ACC. However, Amentum disagreed that this finding represents a non-compliance or an internal control deficiency. Amentum stated that they have already initiated a refund of the questioned cost amount to the funding agency. In addition, Amentum disagreed with our conclusion on two prior audit findings of corrective action implementation. Finally, Amentum pointed out the presentation of questioned costs on page 12 was incorrect.



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
Amentum Services, Inc.
Germantown, MD

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of Amentum Services, Inc. ("Amentum") and the related notes to the Special Purpose Financial Statement, with respect to Contract No. W560MY-19-C-0002 ("Contract") awarded by the United States Department of Defense ("DoD") Army Contracting Command ("ACC") for the Security Ministries of Afghanistan Advisory Program ("SMAAP"), for the period of December 19, 2019 through August 31, 2021.

Management's Responsibility for the Special Purpose Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Special Purpose Financial 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 Special Purpose Financial Statement is free from material misstatement.

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

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

Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred and balances for the indicated period of December 19, 2019 through August 31, 2021, in accordance with the terms of the Contract and conformity with the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 to the Special Purpose Financial Statement, which describes the basis of presentation and basis of accounting. As described in Note 2 to the Statement, the Statement is prepared by Amentum on the basis of the requirements provided by SIGAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 8, 2022 on our consideration of Amentum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Contract and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Amentum's internal control over financial reporting and compliance.

Restriction on Use

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

Conrad LLP

Lake Forest, California
June 8, 2022

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Special Purpose Financial Statement

Firm Fixed Price

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:	\$ 15,233,475	\$ [REDACTED]	\$ -	\$ -	\$ -	(3)
Costs:						
CLIN 0003/0004	\$ 4,439,822	\$ [REDACTED]	\$ -	\$ -	\$ -	
CLIN 0005/0006	1,057,680	[REDACTED]	-	-	-	
CLIN 0007/0008	4,709,040	[REDACTED]	-	-	-	
CLIN 0009	-	-	-	-	-	
CLIN 1003/1004	3,828,265	[REDACTED]	-	-	-	
CLIN 1005/1006	514,366	[REDACTED]	-	-	-	
CLIN 1007/1008	<u>684,302</u>	<u>[REDACTED]</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Costs:	<u>\$ 15,233,475</u>	<u>\$ [REDACTED]</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>				

Time and Materials

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:	\$ 16,631,492	\$ [REDACTED]	\$ -	\$ -	\$ -	(3)
Costs:						
CLIN 0001/0002	\$ 5,170,294	\$ [REDACTED]	\$ -	\$ -	\$ -	
CLIN 0013	544,871	[REDACTED]	-	-	-	
CLIN 1001/1002	<u>10,916,327</u>	<u>[REDACTED]</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Costs	<u>\$ 16,631,492</u>	<u>\$ [REDACTED]</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>				

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

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Special Purpose Financial Statement
(Continued)

Cost Reimbursement

	<u>Budget</u>	<u>Actual</u>	Questioned Costs			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
CLIN 0010/0011	\$ 6,377,000	\$ [REDACTED]	\$ -	\$ -	\$ -	(3)
CLIN 1010/1011	<u>5,338,688</u>	<u>[REDACTED]</u>	<u>-</u>	<u>-</u>	<u>-</u>	(3)
Total Revenues	\$ 11,715,688	\$ [REDACTED]	\$ -	\$ -	\$ -	(3)
Costs Incurred:						
CLIN 0010/0011	\$ 6,377,000	\$ [REDACTED]	\$ 940	\$ -	\$ 940	(A)
CLIN 1010/1011	<u>5,338,688</u>	<u>[REDACTED]</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Costs	<u>\$ 11,715,688</u>	<u>\$ [REDACTED]</u>	<u>\$ 940</u>	<u>\$ -</u>	<u>\$ 940</u>	(A)
Outstanding fund balance	<u>\$ -</u>	<u>\$ 349</u>				

Total revenues and Cost Incurred

	<u>Budget</u>	<u>Actual</u>	Questioned Costs			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
FFP	\$ 15,233,475	\$ [REDACTED]	\$ -	\$ -	\$ -	(3)
T&M	16,631,492	[REDACTED]	-	-	-	(3)
Cost Reimbursement	<u>11,715,688</u>	<u>[REDACTED]</u>	<u>-</u>	<u>-</u>	<u>-</u>	(3)
Total revenues	\$ 43,580,655	\$ [REDACTED]	\$ -	\$ -	\$ -	(3)
Costs Incurred:						
FFP	\$ 15,233,475	\$ [REDACTED]	\$ -	\$ -	\$ -	
T&M	16,631,492	[REDACTED]	-	-	-	
Cost Reimbursement	<u>11,715,688</u>	<u>[REDACTED]</u>	<u>940</u>	<u>-</u>	<u>940</u>	(A)
Total costs	<u>\$ 43,580,655</u>	<u>\$ [REDACTED]</u>	<u>\$ 940</u>	<u>\$ -</u>	<u>\$ 940</u>	(A)
Outstanding fund balance	<u>\$ -</u>	<u>\$ 349</u>				(3)

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

Amentum Services, Inc. (“Amentum”)

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Notes to the Special Purpose Financial Statement¹

(1) Status and Operation

The U.S. Department of Defense (“DoD”) awarded Contract Number W560MY-19-C-0002, Security Ministries of Afghanistan Advisory Program (“SMAAP”) for the period of December 19, 2019 – August 31, 2021, to DynCorp International, LLC (“DynCorp”) for the purpose of providing the Combined Security Transition Command – Afghanistan (“CSTC-A”) with in-depth functional and programmatic Contractor support to train, advise, and assist (“TAA”) the Ministry of Interior (“Mol”) and the Ministry of Defense (“MoD”), and other security institutions as identified by Resolute Support Headquarters (“HQ”).

The scope of this Contract was for DynCorp/Amentum to provide support services to provide all personnel, equipment, supplies, facilities, transportation, tools, materials, clearances, certifications, supervision, and other items and non-personal services necessary to perform dedicated in-depth security assistance training, advising, subject matter expertise, assistance, and programmatic support to this program in order to assist the Mol and MoD in assuming full responsibility of Afghanistan’s own self-sustainable security needs.

The Contract was for an original base period of twelve months from December 19, 2019 through December 18, 2020. The period of performance was extended to December 18, 2021, but the Contract was later terminated for convenience effective on August 31, 2021.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (“SPFS”) includes costs incurred for the SMAAP contract for the period December 19, 2019 – August 31, 2021, minus the unbillable costs. Because the SPFS presents only a selected portion of the operations of DynCorp/Amentum, it is not intended to and does not present the financial position, changes in financial position, or cash flows of DynCorp/Amentum. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), accounting principles generally accepted in the United States of America and is specific to the aforementioned Contract.

Basis of Accounting

Expenditures reported on the SPFS are required to be presented in accordance with accounting principles generally accepted in the United States of America and, therefore, are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles

¹ These Notes to the Special Purpose Financial Statement are the responsibility of Amentum Services, Inc.

Amentum Services, Inc. (“Amentum”)

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

for the Period of December 19, 2019 through August 31, 2021

Notes to the Special Purpose Financial Statement¹

contained in Federal Acquisition Regulation (“FAR”) Part 31 – Contracts with Commercial Organizations.

Foreign Currency conversion

All amounts presented are shown in U.S. dollars, the reporting currency of DynCorp/Amentum. DynCorp/Amentum converts any expenses that were paid in Afghanis (local currency) into U.S. dollars (reporting currency) by using the current exchange rate obtained from the local Afghan bank.

(3) **Revenues**

As of April 6, 2022, DynCorp/Amentum has reported \$ [REDACTED] in revenue related to the expenditures for the Firm Fixed Price, Time and Materials and the Cost Reimbursement portion of the Contract for the period December 19, 2019 – August 31, 2021. Negotiations are still in process as these amounts are not final.

The difference of \$349 between Cost Reimbursement revenue [REDACTED] and Cost Reimbursement incurred costs [REDACTED] is due to the service center allocations. The revenue was recognized based on the approved provisional billing rates at the time of billing, and any rate adjustments will be invoiced when the final indirect rates for the appropriate fiscal years are approved. The revenue will be recognized accordingly.

(4) **Cost Categories (Cost Reimbursement portion)**

Labor/Compensation	[REDACTED]
Leased Premises	[REDACTED]
Insurance	[REDACTED]
Travel	[REDACTED]
Subcontractor Costs	[REDACTED]
ODC	[REDACTED]
Indirect Costs	[REDACTED]
Total	[REDACTED]

¹ These Notes to the Special Purpose Financial Statement are the responsibility of Amentum Services, Inc.

Amentum Services, Inc. (“Amentum”)

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

for the Period of December 19, 2019 through August 31, 2021

Notes to the Special Purpose Financial Statement¹

(5) Subsequent Events

Amentum has performed an analysis of the activities and transactions subsequent to the December 19, 2019 through August 31, 2021 period covered by the Statement. Management has performed their analysis through June 8, 2022.

¹ These Notes to the Special Purpose Financial Statement are the responsibility of Amentum Services, Inc.

(Continued)

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Travel Costs (Cost Reimbursement CLINs 0010, 0011, 1010 and 1011)

Amentum reported total costs of \$ [REDACTED] for CLIN0010/0011 under the Cost Reimbursement portion of the Contract for the period of December 19, 2019 through August 31, 2021. During our audit of these costs, we noted three (3) instances where Amentum was unable to provide adequate source documentation or sufficient support to substantiate the expense charged to the project under travel costs for three individuals' visas. This resulted in questioned costs of \$889 and \$51 in associated indirect costs. See **Finding No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
Amentum Services, Inc.
Germantown, MD

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

We have audited, the Special Purpose Financial Statement ("Statement") and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by Amentum Services, Inc. ("Amentum") under the Security Ministries of Afghanistan Advisory Program ("SMAAP"), under Contract No. W560MY-19-C-0002, for the period of December 19, 2019 through August 31, 2021. We have issued our report thereon dated June 8, 2022 with an unmodified opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of December 19, 2019 through August 31, 2021, we considered Amentum's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of Amentum's internal control. Accordingly, we do not express an opinion on the effectiveness of Amentum's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist



that have not been identified. We did identify one deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs*. Finding 2022-01 is considered to be a deficiency.

Amentum's Response to Findings

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Conrad LLP".

Lake Forest, California
June 8, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
Amentum Services, Inc.
Germantown, MD

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

We have audited, the Special Purpose Financial Statement ("Statement") and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by Amentum Services, Inc. ("Amentum") under Contract No. W560MY-19-C-0002 ("Contract") supporting Security Ministries of Afghanistan Advisory Program ("Program") for the period of December 19, 2019 through August 31, 2021. We have issued our report thereon dated June 8, 2022 with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Amentum's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Contract, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2022-01.

Amentum's Response to Findings

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

Purpose of this Report

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



Restriction on Use

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

Conrad LLP

Lake Forest, California
June 8, 2022

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0001 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Finding 2022-01: Prepaid Expenses were Charged to the Program that were not allocable to the Program. (Cost CLINs 0010 and 0011)

Nature of Finding: Non-compliance; Internal Control – Deficiency

Condition: Conrad tested 294 cost reimbursable samples out of 6,174 transactions, representing [REDACTED] for these transactions. During our testing, we noted that in three of the 294 sampled transactions, Amentum had purchased cashier's checks in advance to be used for employee visas and charged these costs to the program. Conrad questioned three transactions where the supporting invoices did not have an employee's name associated with the prepaid cashier's checks. Amentum reviewed the questioned transactions and confirmed the visas were not required and the cashier's checks were not used for the program, but the advance/prepaid fees were never credited back to the funding agency. This resulted in ineligible costs in the amount of \$889.

Criteria:

DynCorp International, Operating Advances Procedure, Dated December 10, 2020, in part, states:

Procedure Description

7.1. Site Accounting: Advance / Cash Disbursement

7.1.1. Employee requests a cash operating advance:

7.1.1.1. The Site Finance Administrator prepares a CDV for the amount requested.
Requests are usually verbal; the signed CDV evidences the request and approval.

7.1.1.1.1. The Employee estimates the amount if the exact amount is unknown.

7.1.1.1.2. The following charge code should be used to code all the operational advances (disbursements as well as returns):

7.1.1.1.2.1. Project to be used: OPADV:XXXXXX (X=Employee ID)

7.1.1.1.2.2. PAA to be used: B1116

7.1.1.1.3. Description on the CDV includes the employee's last name and employee ID, the purpose of the Advance (must include detailed description of the work function or work performed), and the anticipated settlement date of the Advance.

7.3. Site Accounting: Review / Reconciliation

7.3.1. The Site Finance Administrator reviews the "Operational Advance Tracking Sheet" before the month end close schedule to identify the outstanding transactions for operational advance accounts. Site Finance Administrator must provide comments on the "Summary" tab of the "Operational Advance Tracking Sheet" for all those operational advances which are outstanding more than 30 days.

7.3.2. For Outstanding Ops Advances more than 30 days, Site Finance Administrator contacts the Employee who was advanced the funds and requests receipts and any remaining cash for processing.

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

- 7.3.2.1. The Site Finance Administrator keeps email communications on file.
- 7.3.2.2. If attempts to get receipts to clear the Advances are unsuccessful, The Site Finance Administrator escalates the issue to the Site Operations Manager.
- 7.3.3. The Site Finance Manager reviews the Report of Outstanding Ops Advances.
- 7.3.4. The Site Finance Administrator submits the updated "Operational Advance tracking Sheet" to Deployed Enterprise Accounting on the scheduled month end close date.

FAR 31.201-2(d), Determining allowability, in part, states:

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

FAR 31.201-4(a), Determining allocability, in part, states:

"A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a government contract if it is incurred specifically for the contract."

Cause: Due to administrative oversight, Amentum did not follow its policies and procedures for advanced funds, which required it to refund the funding agency when anticipated costs, which prompted an advance of funds, did not occur.

Effect: Lack of administrative oversight to ensure that costs charged to the Program were accurate and sufficiently supported, resulted in the U.S. Government paying for costs that were not incurred.

Questioned Costs: We identified \$889 in ineligible costs and \$51 in associated indirect costs, which resulted in \$940 in total questioned costs. During fieldwork, Amentum indicated they were in the process of crediting these advances back to the U.S. Government. Conrad received a copy of the refund to the U.S. Government during the management comment/auditor rebuttal phase of the audit. As such, we will not recommend for the questioned costs to be returned or credited back.

Recommendation:

- (1) We recommend that Amentum revise or strengthen its administrative oversight procedures on advance payments to ensure unused prepaid expenses are accurately credited back to the U.S. Government.

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from Amentum and SIGAR pertaining to Amentum and activities under this Contract and other Government funded awards. We identified six (6) prior audit reports which contained three (3) prior findings that could have a material effect on the SPFS and other financial data significant to the audit objectives. Our review procedures included a follow up discussion with Amentum's management, as well as conducting similar tests surrounding the identified areas during our current audit. We have summarized the results of our procedures below:

- (1) SIGAR Financial Audit 18-62 (Department of Defense's Ministerial Development Program for the Afghan Ministry of Defense: Audit of Costs Incurred by DynCorp International LLC.) – An audit of costs for the period of April 30, 2015 through September 30, 2015.

Finding 2018-01: Overbilling of Indirect Costs:

Issue: The audit firm noted that DynCorp was non-compliant with FAR 31.201-5 where DynCorp inappropriately excluded a credit in the amount of \$7,535 which resulted in a \$154 overcharge. The audit questioned a total of \$154 for this finding.

Status: Amentum indicated that no corrective action was taken on this prior audit finding. For the current engagement, we reviewed costs incurred related to the Program and identified three prepaid cashier's checks for visa fees that were allocated to the Program costs; however, were never incurred by any staff for visa fees. This resulted in ineligible costs of \$940. This issue is described in **Finding 2022-01** and the finding is repeated.

Amentum Response: Amentum disagreed with the audit team's conclusion that the finding was repeated. Amentum disagreed that the finding 2018-01, from SIGAR 18-62 Financial Audit, is relevant to the current finding 2022-01. Amentum stated finding 2018-01 related to overbilling of indirect costs where a credit was excluded from the material handling rate calculation. Conrad's finding 2022-01 is not related to incorrect calculations of indirect rates or erroneous coding in the Amentum's accounting system; therefore, the cited finding 2018-01 is not attributable or relevant to the SMAAP contract.

Auditor's Rebuttal: Although the cost category identified in the prior audit finding is not the same, the nature of the finding is the same where an identified credit was not issued to the U.S. Government. As such, our conclusion remains the same.

(Continued)

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Finding No. 2018-02: Use of Incomparable Positions for Procurement Rate Reasonableness:

Issue: The audit firm noted DynCorp did not adequately document its explanation for its methodology used to perform the analysis, as outlined in their procurement policies. Based on the documentation provided, it could not be determined if the costs were reasonable.

Status: Amentum indicated that no corrective action was taken on this prior audit finding. For the current engagement, we reviewed Amentum's procurement process and performed tests surrounding their procurement process and did not identify any deficiencies. This issue is not repeated.

- (2) SIGAR Financial Audit: (United States Army's Army Contracting Command for Combined Security Transition Command-Afghanistan Afghanistan Ministry of Defense and Afghan National Army Program Support and NATO Training Mission – Afghanistan / Combined Security Transition Command – Afghanistan Ministry of Interior and Afghan National Police Mentoring/Training & Logistics Support Requirement) – An audit of costs for the period of February 12, 2010 through April 29, 2014.

Finding No. 2015-01: Inadequately Supported Purchases of Consumables:

Issue: The audit firm noted that DynCorp was non-compliant with FAR 31.201 (d) and FAR 31.201-4 with vendor Alpha Omega Services. Supporting documents for "consumables" were not sufficient to determine the nature and volume of items; if consumables were received and utilized for the project; that fuel purchases were not for Government or Contractor-owned vehicles; or that bulk fuel and water deliveries did or did not occur such that the notifications to the COR were required. DynCorp did not require itemized receipts as they thought it was not an applicable requirement for the blanket agreement with Alpha Omega. The audit identified \$6,223,838 of total questioned costs for this finding.

Status: Amentum indicated that no corrective action was taken on this prior audit finding. For the current engagement, we reviewed supporting documentation for costs incurred throughout the project, and we did not identify any instances where the nature and volume of items could not be determined, fuel purchases were not for Government or Contractor-owned vehicles, or bulk fuel and water deliveries did not occur. We did identify one instance where it could not be identified if the costs incurred were utilized for the project. This issue is described in **Finding 2022-01** and the finding is repeated.

Amentum Response: Amentum disagreed with the audit team's conclusion that the finding was repeated. Amentum does agree that Conrad's finding 2022-01 is related to the previous finding 2015-01 which dealt with a lack of itemized receipts for bulk fuel and water deliveries. The finding related to the SMAAPs contract was due to unused cashier's checks. Therefore, Amentum believes that the cited finding 2015-01 is not attributable or relevant to the SMAAP contract.

(Continued)

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Auditor's Rebuttal: Although the condition of the cited prior audit finding 2015-01 might not be identical, Conrad's finding 2022-01 is for costs incurred that were inadequately supported as for the project. The cited prior audit finding 2015-01, from the SIGAR Financial Audit, also related to costs incurred that were inadequately supported as for the project. Since the nature of the finding is the same, our conclusion remains unchanged.

(Continued)

Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-0002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Amentum's Response to Audit Findings

Included on the following pages are Amentum's response received to the finding identified in this report.



GFC 22 023

May 25, 2022

Sam Perera
Partner
Conrad LLP
23161 Lake Center Drive, Suite 200
Lake Forest, CA 92630

Sub: Amentum Response to the Security Ministries of Afghanistan Advisory Program Special Purpose Financial Statement for the period December 19, 2019 - August 31, 2021 Draft Audit Report

Enc: 1) Credit Voucher No. SMAAPO-00-0040

Ref: A) Conrad LLP Draft Audit Report for the SMAAP contract for the period December 19, 2019 - August 31, 2021, Subject: SIGAR Audit - F235 Amentum Draft Report, Email Dated: May 11, 2022

Mr. Perera,

Amentum Services, Inc. (Amentum) is in receipt of Conrad LLP's (Conrad) draft audit report (Reference A), received May 11, 2022, concerning costs incurred under contract No. W560MY-19-C-0002 (SMAAP). Amentum appreciates the opportunity to provide this response and concurs in part with the draft audit report findings.

Finding 2022-01: Non-Compliance; Internal control – Deficiency

Conrad found three transactions where Amentum had purchased cashier's checks to be used for SMAAP employee visas and charged these costs to the program. The cashier's checks ended up not being used prior to their void date, and the funds were not credited back to the funding agency. This resulted in ineligible costs in the amount of \$889.

Amentum concurs with the questioned cost amount but strongly disagrees with Conrad's opinion that this constitutes a non-compliance with internal policies and procedures and a deficiency in internal controls. Conrad states:

Cause: Due to administrative oversight, Amentum did not follow its policies and procedures for advanced funds, which required it to refund the funding agency when anticipated costs, which prompted an advance of funds, did not occur.

www.amentum.com

20501 Seneca Meadows Parkway, Suite 300, Germantown, MD 20876



However, Conrad used the Operating Advances Procedure as criteria, which does not apply to the cashier's checks under review. The aforementioned procedure addresses cash advances to site employees, whereas the cashier's checks got issued by the Bank of America and were specifically addressed to the Qatar and Afghanistan Consulates. In this case, the cashier's checks were intended for Qatar and Afghani visas based on SMAAP management's estimate of the upcoming staffing needs, and both Consulates required payment in the form of cashier's checks. Three cashier's checks ended up not being used prior to their void date (90 days from issue), and the refund process should have followed our established procedure 3.7.24 Rebates, Refunds, and Discounts Procedure. Once the funds had been re-deposited back into the original bank account, the credit would have been appropriately passed down to the customer. Due to the growing unrest in Afghanistan, consequent changes in program requirements, and a hasty exit from country, this step was not performed. While Amentum agrees that the voided checks should have been refunded to the U.S. Government sooner, we consider this to be an isolated incident within the normal course of business and not a control deficiency. Amentum believes that Conrad would have needed to expand their testing to be able to make this determination. Additionally, the questioned cost of \$889 represents 0.13% of the tested sample, which is not material.

Therefore, Amentum concurs with Conrad's recommendation (1) to refund \$939.35 (inclusive of applicable indirect costs) in ineligible costs to the DoD-ACC and has already initiated a refund due to the customer (Enclosure 1). Amentum believes that it is already in compliance with recommendation (2) as the finding does not represent a non-compliance or an internal control deficiency.

Prior Audit Findings and Recommendations

Conrad cited findings from the "SIGAR 18-62 Financial Audit" and concluded that one of the issues was found under the current assignment and that the finding could have a material effect on the SPFS or other financial data significant to the audit objectives. Amentum does not concur, since Finding 2018-01, Overbilling of Indirect Costs dealt with a credit being excluded from the Material Handling rate calculation that resulted in \$154 overbilling of indirect cost. Conrad's finding 2022-01 is not related to incorrect calculations of indirect rates or erroneous coding in the Amentum's accounting system; therefore, the cited finding 2018-01 is not attributable or relevant to the SMAAP contract.

In addition, Conrad cited another finding from the "SIGAR Financial Audit" and concluded that one of the issues was found under the current assignment and that the findings could have a material effect on the SPFS or other financial data significant to the audit objectives. Amentum does not concur, since Finding 2015-01, Inadequately Supported Purchases of Consumables dealt with a lack of itemized receipts for bulk fuel and water deliveries. Conrad's finding 2022-01 is not related to a lack of sufficient supporting documentation, which Amentum has clearly communicated. The finding related to the SMAAPs contract was due to unused cashier's checks. Therefore, Amentum believes that the cited finding 2015-01 is not attributable or relevant to the SMAAP contract.



Final Comments

Amentum does concur to refund \$939.35 to the DoD-ACC and has already initiated the process of issuing a refund to the customer (Enclosure 1). Amentum does not concur with the non-compliance and internal control deficiency finding as the referenced internal procedure does not apply to cashier's checks, and the finding was an isolated incident not representative of a systemic issue.

In addition, Amentum would like to point out that the questioned cost on page 12 of the subject report is erroneously displayed on the FFP line of the SMAAP SPFS instead of the Cost Reimbursement.

Furthermore, Amentum requests that this letter in its entirety be included in any report, finding, or memorandum issued as a result of this assignment. Should you have any questions, please contact the undersigned at (817) 224-1448 or via email at chris.gilley@amentum.com.

Respectfully,



Amentum


CC:


To view the enclosure(s) referenced in this document, please click on the paperclip icon in the PDF viewer and double click the attachment to open it.



Amentum Services, Inc.

Financial Audit of Costs Incurred Under
Contract No. W560MY-19-C-00002 Awarded by the Department of Defense Army Contracting
Command for the Security Ministries of Afghanistan Advisory Program

For the Period of December 19, 2019 through August 31, 2021

Auditor's Rebuttal to Amentum's Responses

Amentum partially agreed with **Finding 2022-01**. We have reviewed Amentum's responses and provided the following rebuttal:

Finding 2022-01 - Amentum agreed with the questioned cost amount; however, did not agree that the finding constitutes a non-compliance with internal policies and procedures and a deficiency in internal controls. Amentum stated that the 3.9.2 Operating Advances Procedure which is the cited criteria for the finding does not apply to the cashier's checks under review, but rather it applies to cash advances to site employees. Amentum stated that its established procedure 3.7.24 Rebates, Refunds, and Discounts Procedure would have applied.

Amentum considered this to be an isolated incident within the normal course of business and not a control deficiency. Amentum believes that expanded testing would be required to determine if this is a control deficiency. Additionally, Amentum believes the questioned cost of \$889 is not material because it represents 0.13% of the tested sample.

Auditor Rebuttal:

- Per the cited criteria for the finding, 3.9.2 Operating Advances Procedure in Section 4, SCOPE, states: "the scope of the procedure covers activities related to the disbursement of operational advances". During fieldwork Amentum stated that the "*certified checks were bought in advance, in preparation for deploying candidates (not tied to any specific staff). If not used within 90 days, they get voided.*" Given the response provided, the advance purchase of business visas was for potential employees deployed to Afghanistan. Amentum confirmed that the visas were not used or applied to employees who were deployed for the program. In addition, Amentum verbally agreed, during fieldwork, that the costs for the advance purchase of the cashiers' checks would be credited back to the program. The 3.7.24 Rebates, Refunds and Discounts Procedure mentioned by Amentum and evidence of the refund to the U.S. Government was not provided during fieldwork rather it was provided after the management response was received and Conrad requested the policy and support of the refund. Conrad reviewed 3.7.24 Rebates, Refunds and Discounts Procedure. This procedure relates to rebates given off full list price, refunds received from vendors for returned goods, discounts given by a vendor to reduce the net amount for goods and credit memos issued by vendors on purchased goods. Based on the content of this procedure, Conrad did not find evidence that this procedure would be valid criteria for this finding. As such, the 3.9.2 Operating Advances Procedure applies and will remain as the cited criteria.
- Although Amentum disagreed that the finding is a control deficiency, an internal control deficiency did occur, and Amentum was not in compliance with its policy and Federal Acquisition Regulation. Conrad tested 67 travel transactions, of which 21 are related to business visas, and found 3 instances of non-compliance with their Operating Advances Procedure. This resulted in

approximately 14.3% error rate related to business visas. We believe an internal control deficiency does exist and expanded testing is not necessary. As such, our finding and recommendation remains unchanged.

Amentum pointed out that the presented questioned costs on page 12 of the subject report was incorrectly displayed on the FFP line of the SMAAP SPFS instead of the Cost Reimbursement. Conrad agreed and has updated the report to reflect this correction.

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