

SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR 24-05 Financial Audit

Department of the Army's UH-60A Afghanistan Maintenance and Training Program: Audit of Costs Incurred by Science and Engineering Services LLC

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



DECEMBER
2023

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 20, 2018, the Department of the Army's Contracting Command (Army) awarded a 15-month, \$49,466,791 delivery order to Science and Engineering Services LLC (SES) to support the Aircraft Qualification Training program for the Army's Afghanistan Maintenance and Training requirement. The program's goal was to provide in-country UH-60A helicopter qualification training, flight operations support, and maintenance on UH-60A helicopters. The Army modified the delivery order 14 times; the modifications increased the total funding to \$159,979,762 and extended the period of performance from December 31, 2019, through November 30, 2022.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed the delivery order's \$76,010,688 in incurred costs plus a fixed-fee balance of \$8,021,176 from October 1, 2019, through September 30, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in SES's internal controls related to the award; (2) identify and report on instances of material noncompliance with the terms of the award and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether SES has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of SES's Special Purpose Financial Statement (SPFS). See Crowe's report for the precise audit objectives.

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

December 2023

Department of the Army's UH-60A Afghanistan Maintenance and Training Program: Audit of Costs Incurred by Science and Engineering Services LLC

SIGAR 24-05-FA

WHAT SIGAR FOUND

Crowe identified one material weakness and one deficiency in SES's internal controls, and one instance of noncompliance with the terms of the delivery order. For example, Crowe found that SES did not provide supporting documentation to justify waiving the competitive procurement process for a procurement with a subsequent change order exceeding the \$10,000 micro-purchase threshold. SIGAR notified SES of the deficiencies and compliance issue prior to publication of this report.

Because of the deficiencies in internal controls and the instance of noncompliance, Crowe identified \$13,051 in total questioned costs, consisting entirely of unsupported costs—costs not supported with adequate documentation or that did not have required prior approval. Crowe did not identify any ineligible costs—costs prohibited by the delivery order and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$0	\$13,051	\$13,051
Indirect Costs	\$0	\$0	\$0
Total Costs	\$0	\$13,051	\$13,051

Crowe identified two prior audit reports that were relevant to SES's delivery order. The reports did not contain any findings that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Crowe issued an unmodified opinion on SES'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 the Department of the Army:

1. **Determine the allowability of and recover, as appropriate, \$13,051 in questioned costs identified in the report.**
2. **Advise SES to address the report's two internal control findings.**
3. **Advise SES to address the report's one noncompliance finding.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

December 7, 2023

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 Crowe LLP (Crowe) to audit the costs incurred by Science and Engineering Services LLC (SES) under a delivery order awarded by the Department of the Army's Contracting Command to support the Aircraft Qualification Training program for the Army's Afghanistan Maintenance and Training requirement.¹ The program's goal was to provide in-country UH-60A helicopter qualification training, flight operations support, and maintenance on UH-60A helicopters. Crowe reviewed the delivery order's \$76,010,688 in incurred costs plus a fixed-fee balance of \$8,021,176 from October 1, 2019, through September 30, 2021. 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 contracting officer at the Department of the Army:

- 1. Determine the allowability of and recover, as appropriate, \$13,051 in questioned costs identified in the report.**
- 2. Advise SES to address the report's two internal control findings.**
- 3. Advise SES to address the report's one noncompliance finding.**

Crowe discusses the results of the audit in detail in the attached report. We reviewed Crowe's report and related documentation. We also inquired about Crowe'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 SES's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Crowe is responsible for the attached auditor's report, dated October 11, 2023, and the conclusions expressed therein. However, our review disclosed no instances in which Crowe did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-259)

¹ The delivery order no. is W58RGZ18F0063 under indefinite-quantity contract no. W58RGZ13D0048.



The Science & Engineering Services, LLC.

Project to Provide Afghanistan Aircraft Maintenance and Training.

Delivery Order No. W58RGZ-18-F-0063 under Indefinite-Quantity (IDIQ) Contract W58RGZ-13-D-0048.

Special Purpose Financial Statement

For the Period October 1, 2019 through September 30, 2021.

(With Independent Auditor's Report Thereon)

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TRANSMITTAL LETTER

October 11, 2023

To the Management of the Science & Engineering Services, LLC.
248 Dunlop Blvd.
Huntsville, AL 35824

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of the special purpose financial statement (“SPFS”) applicable to The Science & Engineering Services, LLC (“SES”) delivery order number W58RGZ-18-F-0063 under Indefinite-Quantity (IDIQ) Contract W58RGZ-13-D-0048, funded by the U.S. Department of Defense, Army (“Army”), to provide Afghanistan aircraft maintenance and training, for the period October 1, 2019 through September 30, 2021.

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 SES, Army, 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 were incorporated as Appendix A to the final report.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of The Science & Engineering Services LLC’s contract.

Sincerely,

Bert Nuehring, CPA
Partner
Crowe LLP

Summary

Background

On September 20, 2018, The U.S. Army ("Army") awarded delivery order number W58RGZ18F0063 under Indefinite-Delivery, Indefinite-Quantity ("IDIQ") contract number W58RGZ13D0048 to Science and Engineering Services, LLC ("SES"). Delivery order W58RGZ18F0063, a Cost-Plus-Fixed-Fee ("CPFF") order for the Afghanistan Maintenance and Training Requirement to support the Aircraft Qualification Training ("AQT") program. The contract also included a Firm-Fixed-Price ("FFP") portion of the contract to support the Aviation Logistics Support Storage and Contract Data Requirements. Contracts under W58RGZ13D0048 are made to support maintenance and flight support for UH-60 helicopters. The total CPFF/FFP base amount was \$46,370,078 with a CPFF option of \$3,096,714 totaling \$49,466,791 with a period of performance of fifteen months 10/01/2018 – 12/31/2019. In total, fourteen modifications were made to the Delivery Order, which increased the funding to \$159,979,762 and extended the period of performance from 12/31/2019 through 11/30/2022.

The goal of the contract was to provide in-country UH-60 Aircraft Qualification Training, flight operations support, and scheduled and unscheduled maintenance on UH-60 helicopters. The main base that SES supported was in Kandahar, Afghanistan, but SES also provided the capability to support Forward Operating Bases.

Science and Engineering Services, LLC was established in 1988 as a privately held government and commercial contractor. They specialize in system modification, integration and training of rotary wing, fixed wing, unmanned aircraft, and military Ground Systems. Their headquarters are located in Colombia, MD with aircraft MRO work occurring in Huntsville, AL.

The modifications are summarized below:

Modification	Purpose
P00001	<ul style="list-style-type: none"> Added Clause 5152.225-5908
P00002	<ul style="list-style-type: none"> Incorporated revisions to the statement of work Established 9 additional CLINs Increased the overtime premium amount from \$114,945.20 to \$4,124,202.36 Increased the award amount from \$46,370,077.54 to \$84,222,144.90 Increased the Base + Option value
P00003	<ul style="list-style-type: none"> Incorporated revisions to the statement of work Incorporated revised Government Furnished Property List Revised the delivery date on select CLIN, and extending the dates on others De-obligated excess funds by \$8,065,553.76 and increasing funds associated with cost overruns by \$310,657.54 Established 18 additional CLINs
P00004	<ul style="list-style-type: none"> Incorporated revisions to the statement of work
P00005	<ul style="list-style-type: none"> Reduced the obligated amount on CLIN 0019AC Extended the delivery date on certain CLINs Exercised Option 2 and 3 Increased the total obligated amount from \$139,754,140.32 to \$162,196,502.17 Decreased the total Base + Option value

(Continued)

Modification	Purpose
P00006	<ul style="list-style-type: none"> • Incorporate revisions to the statement of work • De-obligated funds by \$746,600.47 • Establishing CLIN 0023AB for \$744,957.30 • Establishing CLIN 0023AC for \$1,643.16 • Extended the delivery date on certain CLINs
P00007	<ul style="list-style-type: none"> • Incorporated revisions to the statement of work • De-obligated excess funds by \$744,957.32 • Established CLIN 0023AA for \$745,189.87 • Established CLIN 0027AB for \$744,957.31 • Updated the overtime amount listed in FAR 52.222-2
P00008	<ul style="list-style-type: none"> • Incorporated revisions to the statement of work • De-obligated excess funds by \$1,550,375.42 • Established CLIN 0027AD for \$1,548,738.27 • Established CLIN 0027AE for \$1,637.15
P00009	<ul style="list-style-type: none"> • Extended the delivery date on 0030AA from September 30, 2020, to December 31, 2020
P00010	<ul style="list-style-type: none"> • De-obligated funds in the amount of \$3,003,903.99 • Reduced the total obligated amount by \$3,216,739.95
P00011	<ul style="list-style-type: none"> • Removed Attachment 0002, Government Furnished Property list
P00012	<ul style="list-style-type: none"> • Removed funds from CLIN 027AA Option 2 – CLS Labor • Incorporated results of Request for Equitable Adjustment • Contractor releases the Government from any liability related to COVID Quarantine REA submission • Per the delivery schedule, the period of performance is updated to 09/30/2021
P00013	<ul style="list-style-type: none"> • Established CLIN0035AA for \$3,297,850.15 • Incorporated Defense Federal Acquisition Regulation Supplement Section 3610 • Updated paragraph (f) of DFARS 252-232-7006 • De-obligated funds in the amount of \$3,927,850.50 • Contractor releases government from liability related to section 3610
P00014	<ul style="list-style-type: none"> • Established CLIN 0036AA, COVID REA: Base Restrictions, which funds a portion of the Request for Equitable Adjustment (REA) submitted under SES Letter 0622SES-3709-MH • The total obligated amount of DO W58RGZ-18-F-0063 remained unchanged. • Per the delivery schedule, the period of performance is updated to 11/30/2022

Our audit procedures included a review of total costs incurred of \$76,010,688 plus a fixed-fee on cost CLINs and profit on FFP CLINs balance of \$8,021,176 for the period October 1, 2019 through September 30, 2021.

(Continued)

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 audit of delivery order number W58RGZ18F0063 under IDIQ W58RGZ13D0048 awarded to Science and Engineering Services, LLC (“SES”). Crowe’s audit encompassed the period October 1, 2019, through September 30, 2021. During this span, SES reported \$76,010,688 in costs plus a fixed-fee on cost CLINs and profit on FFP CLINs balance of \$8,021,176. Crowe’s audit of SES was limited in scope to the activities and expenditures associated with the delivery order. Crowe’s audit incorporated closeout audit procedures.

(Continued)

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

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

Audit Objective 2 – Internal Controls

Evaluated and obtained a sufficient understanding of auditee's internal control related to the award; assessed control risk; and identified and reported on significant deficiencies, including material internal control weaknesses.

Audit Objective 3 – Compliance

Performed tests to determine whether auditee complied, in all material respects, with the award requirements and applicable laws and regulations; and identified and reported on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Audit Objective 4 – Corrective Action on Prior Findings and Recommendations

Determined and reported on whether auditee has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the special purpose financial statement or other financial data significant to the audit objectives.

Scope

The scope of the audit included total reported incurred costs of \$76,010,688 plus a fixed-fee on cost CLINs and profit on FFP CLINs balance of \$8,021,176, during the period October 1, 2019 through September 30, 2021. The audit was limited to those matters and procedures pertinent to the delivery order that could have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

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

(Continued)

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.

To address Audit Objective 1, which pertains to The Science & Engineering Services, LLC's 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 award if the cost benefited multiple objectives; and were adequately supported.

In order to address Audit Objective 2, which relates to The Science & Engineering Services LLC's internal controls, 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 The Science & Engineering Services, LLC 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 the internal controls and tested them where compliance issues could arise.

Audit Objective 3 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the award. Crowe identified – through review and evaluation of the delivery order executed by and between the Army and The Science & Engineering Services, LLC – 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, cash requests, equipment, procurements, and reports for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess SES'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 applicable regulations and the contract with the Army.

Regarding Audit Objective 4, Crowe inquired of The Science & Engineering Services, LLC, SIGAR, and the Army 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 two prior reports – none of which contained findings and recommendations requiring additional testing or follow up.

Summary of Results

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

Crowe issued an unmodified opinion on the SPFS.

Crowe also reported on both The Science & Engineering Services LLC's internal controls over financial reporting and compliance with applicable laws, rules, regulations, and the terms and conditions of the contract agreement. In total, one material weakness in internal control (2021-01) and one deficiency in internal control (2021-02) is being reported. In addition, Crowe reported one instance of noncompliance (2021-02). In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding (2021-02).

We identified \$13,051 in total questioned costs. SIGAR requires that questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines unsupported costs as those that are not supported with adequate documentation or did not have required prior approvals or authorizations. Ineligible costs are those that are explicitly questioned because they are unreasonable; prohibited by the audited agreement or applicable laws and regulations; or are unrelated to the award. Therefore, we concluded that \$13,051 questioned costs are classified as unsupported.

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.

Crowe also requested from SES, SIGAR, and Army copies of prior audits, reviews, and evaluations pertinent to SES's activities under the delivery order. Crowe reviewed two (2) prior audit reports that may be direct and material to the Special Purpose Financial Statement or other financial information significant financial data to the audit objectives. Neither of the reports contained findings or recommendations that required additional testing or follow up.

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.

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2021-01	Material Weakness in Internal Controls over Financial Reporting	Material Weakness	-
2021-02	Lack of Competitive Procurement	Deficiency and Noncompliance	\$13,051
Total Questioned Costs:			\$13,051

Summary of Management Comments

SES acknowledged the error for part of finding 2021-01 and disagreed with the remainder. SES disagreed with finding 2021-02. The following contains a summary of management's responses:

1. Finding 2021-01: Material Weakness over Internal Controls of Financial Reporting
Management disagreed with the finding that the Special Purpose Financial Statement (SPFS) was originally materially misstated before it was corrected. Management agreed with the statement that activity from October 2019 was originally omitted from the SPFS and that the omission caused additional procedures to be completed by the auditor.
2. Finding 2021-02: Lack of Competitive Procurement
Management disagreed with the finding that SES did not follow their procurement policies and procedures in the procurement audited stating that the two procurements were made as separate awards based on their internal policy.

Reference to Appendices

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

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the Management of the Science & Engineering Services, LLC.
248 Dunlop Blvd.
Huntsville, AL 35824

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

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement (the "Statement") of Science and Engineering Services LLC. ("SES"), and related notes to the Statement, with respect to the Delivery order W58RGZ18F0063, a Cost-Plus-Fixed-Fee ("CPFF") order that includes a Firm-Fixed-Price ("FFP") portion for the Afghanistan Maintenance and Training Requirement to support the Aircraft Qualification Training ("AQT") program, funded by the U.S. Army ("Army") for the period October 1, 2019 through September 30, 2021.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of delivery order number W58RGZ18F0063. 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.

(Continued)

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

Opinion

In our opinion, the Statement referred to above pertaining to delivery order number W58RGZ18F0063 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 and 2.

Basis of Presentation and Accounting

We draw attention to Notes 1 and 2 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in the format required by SIGAR and presents those amounts as permitted under the terms of the Army delivery order number W58RGZ18F0063, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the contract referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 11, 2023, on our consideration of The Science & Engineering Services, LLC'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 the effectiveness of The Science and Engineering Services, LLC. 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 Science and Engineering Services, LLC. internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

October 11, 2023
Washington, D.C.

The Science & Engineering Services, LLC
Special Purpose Financial Statement
Delivery order number W58RGZ18F0063
For the Period October 1, 2019 through September 30, 2021

	Budget	Actual	Questioned Costs		Notes
			Ineligible	Unsupported	
<i>Revenues</i>					
W58RGZ18F0063	\$ 159,979,762	\$ 84,031,864			
Total Revenue	\$ 159,979,762	\$ 84,031,864			1, 2, 4, 5

<i>Costs Incurred by CLIN</i>	<i>Internal Project Code</i>				
18F0063 CLIN 01AA AFG TRAIN II PM MGMNT	07401.8F0063.01AA	\$	1,801,311	\$	[REDACTED]
18F0063 CLIN 02AA AFG TRAIN II AC MAINT	07401.8F0063.02AA	\$	26,263,334	\$	[REDACTED]
18F0063 CLIN 03AA AFG TRAIN II AQC/OJT TRNG	07401.8F0063.03AA	\$	6,597,175	\$	[REDACTED]
18F0063 CLIN 03AB AFG TRAIN II 2 LING/OJT	07401.8F0063.03AB	\$	660,042	\$	[REDACTED]
18F0063 CLIN 04AA AFG TRAIN II MAT & PUBS	07401.8F0063.04AA	\$	3,741,373	\$	[REDACTED]
18F0063 CLIN 05AA AFG TRAIN II AV LOG SPRT	07401.8F0063.05AA	\$	2,241,810	\$	[REDACTED]
18F0063 CLIN 06AA AFG TRAIN II OVERTIME	07401.8F0063.06AA	\$	-	\$	[REDACTED]
18F0063 CLIN 07AA AFG TRAIN II TRAVEL	07401.8F0063.07AA	\$	447,772	\$	[REDACTED]
18F0063 CLIN 08AA AFG TRAIN II ALS STORAGE	07401.8F0063.08AA	\$	202,054	\$	[REDACTED]
18F0063 CLIN 09AA AFG TRAIN II CDRLS	07401.8F0063.09AA	\$	-	\$	[REDACTED]
18F0063 CLIN 11AA AFG TRAIN II KABUL PM	07401.8F0063.11AA	\$	440,051	\$	[REDACTED]
18F0063 CLIN 12AA AFG TRAIN II KABUL ACM	07401.8F0063.12AA	\$	17,359,688	\$	[REDACTED]
18F0063 CLIN 13AA AFG TRAIN II KABUL LING	07401.8F0063.13AA	\$	1,022,992	\$	[REDACTED]
18F0063 CLIN 14AA AFG TRAIN II KABUL MAT	07401.8F0063.14AA	\$	7,442,681	\$	[REDACTED]
18F0063 CLIN 15AA AFG TRAIN II KABUL ALS	07401.8F0063.15AA	\$	574,923	\$	[REDACTED]
18F0063 CLIN 16AA AFG TRAIN II KABUL OT	07401.8F0063.16AA	\$	-	\$	[REDACTED]
18F0063 CLIN 17AA AFG TRAIN II KABUL TRAVEL	07401.8F0063.17AA	\$	1,376,951	\$	[REDACTED]
18F0063 CLIN 18AA AFG TRAIN II PROP PREP	07401.8F0063.18AA	\$	3,985	\$	[REDACTED]
18F0063 CLIN 19AA CLS LABOR	07401.8F0063.19AA	\$	5,895,846	\$	[REDACTED]
18F0063 CLIN 19AB CLIN 19AA SUPP FUNDING	07401.8F0063.19AB	\$	1,218,737	\$	[REDACTED]
18F0063 CLIN 19AC CLIN 19AA SUPP FUNDING	07401.8F0063.19AC	\$	21,508,474	\$	[REDACTED]

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

The Science & Engineering Services, LLC
Special Purpose Financial Statement
Delivery order number W58RGZ18F0063
For the Period October 1, 2019 through September 30, 2021

18F0063 CLIN 20AA CLS TRAVEL/ODC	07401.8F0063.20AA	\$ 5,998,311	\$			
18F0063 CLIN 21AA CLS STORAGE	07401.8F0063.21AA	\$ 267,857	\$			
18F0063 CLIN 22AA CLS MATERIAL	07401.8F0063.22AA	\$ 1,146,072	\$			
18F0063 CLIN 23AA OPTION 1 - CLS LABOR	07401.8F0063.23AA	\$ 12,744,737	\$			
18F0063 CLIN 23AB SUPP FUNDING 23AA	07401.8F0063.23AB	\$ 683,447	\$			
18F0063 CLIN 23AC PROPOSAL PREP 20-R-0202	07401.8F0063.23AC	\$ 1,643	\$			
18F0063 CLIN 24AA OPTION 1 - CLS TRAVEL/ODC	07401.8F0063.24AA	\$ 3,043,845	\$			
18F0063 CLIN 25AA OPTION 1 - CLS STORAGE	07401.8F0063.25AA	\$ 133,929	\$			
18F0063 CLIN 26AA OPTION 1 - CLS MATERIAL	07401.8F0063.26AA	\$ 572,955	\$			
18F0063 CLIN 27AA OPTION 2 - CLS LABOR	07401.8F0063.27AA	\$ 12,310,440	\$			
18F0063 CLIN 27AB SUPP FUNDING 27AA	07401.8F0063.27AB	\$ 683,447	\$			
18F0063 CLIN 27AC PROPOSAL PREP 20-R-0210	07401.8F0063.27AC	\$ 233	\$			
18F0063 CLIN 27AD SUPP FUNDING 27AA	07401.8F0063.27AD	\$ 1,420,861	\$			
18F0063 CLIN 27AE PROPOSAL PREP 20-R-0278	07401.8F0063.27AE	\$ 1,637	\$			
18F0063 CLIN 28AA OPTION 2 - CLS TRAVEL/ODC	07401.8F0063.28AA	\$ 3,011,381	\$			
18F0063 CLIN 29AA OPTION 2 - CLS STORAGE	07401.8F0063.29AA	\$ 133,929	\$			
18F0063 CLIN 30AA OPTION 2 - CLS MATERIAL	07401.8F0063.30AA	\$ 572,955	\$		\$13,051	A
18F0063 CLIN 31AA OPT 3-TRANSITION LABOR	07401.8F0063.31AA	\$ 69,115	\$			
18F0063 CLIN 32AA OPT 3-TRANSITION TRVL/ODC	07401.8F0063.32AA	\$ -	\$			
18F0063 CLIN 33AA OPT 3-TRANSITION STORAGE	07401.8F0063.33AA	\$ -	\$			
18F0063 CLIN 34AA PROPOSAL PREP 19-R-0214	07401.8F0063.34AA	\$ 24,090	\$			
18F0063 CLIN 35AA SECTION 3610 CARES ACT	07401.8F0063.35AA	\$ 3,297,850	\$			
18F0063 CLIN 35AB COVID QUARATINE REA	07401.8F0063.35AB	\$ 919,430	\$			
18F0063 CLIN 36AA COVID REA Base Restrict	07401.8F0063.36AA	\$ 20,651	\$			
Total Costs Incurred		\$ 145,858,014	\$	76,010,688		1, 2, 4, 5
<i>Balance</i>			\$	8,021,176		6

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

Note 1. Basis of Presentation

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Indefinite Delivery, Indefinite Quantity (IDIQ) contract W58RGZ13D0048 Delivery Order Number W58RGZ18F0063 for the UH-60 Aircraft Qualification, Training, and Maintenance in Afghanistan for the period October 1, 2019 to September 30, 2021. Because the Statement presents only a selected portion of the operations of Science & Engineering Services, LLC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Science & Engineering Services, LLC. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal contract. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Basis of Accounting

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

Note 3. Foreign Currency Translation Method

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

Note 4. Revenues

Revenues on the Statement represent the amount of funds to which Science & Engineering Services, LLC is entitled to receive from the U.S. Army for allowable, eligible costs incurred under the contract during the period of performance.

Note 5. Costs Incurred by Contract Line Item Number

The Contract Line Item Numbers (CLINs) presented and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component of modification number 14 to the contract dated November 30, 2022.

Modification 14 awarded funding for costs incurred in 2020.

The budget presented for contract W58RGZ18F0063 is for the entirety of the program. The program was initially managed using the time-phased earned value process; however, that was not required by the customer for the duration of the period under audit, so no time-phased budget exists for the audit time period.

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. The balance represents the fixed fee on cost CLINs and profit on FFP CLINs earned by Science & Engineering Services, LLC under the contract.

Note 7. Currency

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

Note 8. Program Status

The UH-60 Aircraft Qualification, Training, and Maintenance in Afghanistan program is complete. The period of performance for the award concluded on November 30, 2022 as noted in modification number 14 dated November 30, 2022. Accordingly, adjustments to amounts currently reported on the Special Purpose Financial Statement may be made as a result of:

1. Final Defense Contract Audit Agency (“DCAA”) audited indirect rates for 2021, which are currently under audit by a third-party audit firm hired by DCAA.
2. DBA Insurance costs are under internal review to ensure the correct amounts were charged to the program.

Note 9. Reconciliation to Cumulative Draw Amounts

The SPFS lists actual costs incurred. The indirect costs reported on the SPFS for 2021 are based on the submitted Incurred Cost Submission (“ICS”) indirect rates. All 2021 invoiced costs have been billed using 2021 DCAA-approved provisional rates. Final billing for 2021 indirect costs will be processed after final audited rates are approved by DCAA.

Note 10. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the October 1, 2019 to September 30, 2021 period covered by the Statement. Management has performed their analysis through October 11, 2023.

- A. Finding 2021-02 questioned \$13,051 as SES did not provide adequate supporting documentation to demonstrate the sole source provider's charges were reasonable.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Management of the Science & Engineering Services, LLC.
248 Dunlop Blvd.
Huntsville, AL 35824

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of Science and Engineering Services, LLC. ("SES"), and related notes to the Statement, with respect to the Delivery order W58RGZ18F0063, a Cost-Plus-Fixed-Fee ("CPFF") order that includes a Firm-Fixed-Price ("FFP") portion for the Afghanistan Maintenance and Training Requirement to support the Aircraft Qualification Training ("AQT") program, funded by the U.S. Army ("Army") for the period October 1, 2019 through September 30, 2021. We have issued our report thereon dated October 11, 2023.

Internal Control over Financial Reporting

Science and Engineering Services, LLC'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 delivery order; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of accounting and presentation described in Notes 1 and 2 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, we considered Science and Engineering Services LLC's internal controls over financial reporting (internal control) as a basis for designing 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 Science and Engineering Services, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Science and Engineering Services, LLC's internal control.

(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 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 second 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-01 that we consider to be a material weakness.

Additionally, we also noted a deficiency that we reported as finding 2021-02.

Science and Engineering Services, LLC's Response to the Findings

Science and Engineering Services LLC's response to the findings identified in our audit are described in Appendix A to our report. Science and Engineering Services LLC's response to the findings was not subject 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 Science and Engineering Services LLC, the Army, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Crowe LLP
Crowe LLP

October 11, 2023
Washington, D.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Management of the Science & Engineering Services, LLC.
248 Dunlop Blvd.
Huntsville, AL 35824

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement (the "Statement") of The Science & Engineering Services, LLC ("SES"), and related notes to the Statement, with respect to the Afghanistan Maintenance and Training Requirement to support the Aircraft Qualification Training ("AQT") program, funded by the U.S. Army ("Army") delivery order number W58RGZ18F0063 under Indefinite-Delivery, Indefinite-Quantity ("IDIQ") contract number W58RGZ13D0048 for the period October 1, 2019, through September 30, 2021. We have issued our report thereon dated October 11, 2023.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the delivery order is the responsibility of the management of The Science & Engineering Services, LLC.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SES's Financial Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statement. 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 are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-02.

The Science & Engineering Services, LLC's Response to the Findings

The Science & Engineering Services LLC's response to the findings identified in our audit are described in Appendix A to our report. The Science & Engineering Services LLC's response to the findings was not subject to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on it.

(Continued)

Purpose of this Report

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

Restriction on Use

This report is intended for the information of The Science & Engineering Services, LLC, the Army, and the Office of the Special Inspector General for Afghanistan Reconstruction. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Crowe LLP
Crowe LLP

October 11, 2023
Washington, D.C.

FINDING 2021-01: Material Weakness over Internal Controls of Financial Reporting

Material Weakness in Internal Controls

Condition: During our testing of the Special Purpose Financial Statement (SPFS), we noted a Contract Line Item Number (CLIN) (FR00) that was not approved by any modification. SES informed Crowe that the costs initially included in FR00 were related to the costs incurred while developing the settlement proposal for COVID related costs. After discussion, SES advised that the costs initially included in CLIN FR00 listed on the SPFS were subsequently divided among three approved CLINs when Modification P00014 was authorized. The inclusion of an unapproved CLIN on the SPFS caused a material misstatement on the initial submission of SPFS. SES followed our recommendation to update the SPFS to correct the material misstatement.

Additionally, during the course of our review, SES reached out to advise us that they had erroneously omitted charges from October 2019 in our expenditure population and the SPFS. The total of the charges that had been omitted was over \$6 million and material to the audit. We conducted additional testing over these charges and found no exceptions.

Due to these two issues, we have found that there is a material weakness in internal control over financial reporting.

Criteria: Federal guidelines require implementing partners to comply with audits, including preparing a schedule of incurred costs for the award and providing access to accounting records and supporting documentation for those costs.

48 C.F.R. Part 42.302 (a)(12)

Contract administration functions:

“The contractor's accounting system should be adequate during the entire period of contract performance. The adequacy of the contractor's accounting system and its associated internal control system, as well as contractor compliance with the Cost Accounting Standards (CAS), affect the quality and validity of the contractor data upon which the Government must rely for its management oversight of the contractor and contract performance.”

DFARS 252.242-7006, Accounting System Administration

(b) General. The Contractor shall establish and maintain an acceptable accounting system. Failure to maintain an acceptable accounting system, as defined in this clause, shall result in the withholding of payments if the contract includes the clause at 252.242-7005, Contractor Business Systems, and also may result in disapproval of the system.

(c) System criteria. The Contractor's accounting system shall provide for—

(1) A sound internal control environment, accounting framework, and organizational structure;

(8) Management reviews or internal audits of the system to ensure compliance with the Contractor's established policies, procedures, and accounting practices...”

SES Accounting Policies and Procedures, Internal Control Function, states the following:

“1.0 PURPOSE To provide assurance that an entity operates effectively and efficiently, has a reliable financial reporting system and complies with applicable laws and regulations.

(Continued)

The Science & Engineering Services, LLC
Section I: Summary Schedule of Findings and Questioned Costs
Delivery Order Number W58RGZ18F0063
For the Period October 1, 2019, through September 30, 2021

2.0 Policy SES does not have an Internal Control Team; however, the internal control function itself is still being performed within the accounting department.

2.2 We look for out-of-the norm trending for expenses and verify them with different functionally groups inside and outside of the accounting department for system or human errors.

2.3 We verify the revenue information independently with the program management team and the contracts department, if need be, to be GAAP and FAR compliant before upper management is presented with the statements.”

Questioned Costs: None.

Cause: SES did not have effective controls in place to review and approve the SPFS for accuracy prior to submission. Management did not have sufficient understanding of the SPFS requirements to accurately review it.

Effect: The SPFS initially had inaccurately stated costs. Costs were understated for the audit period as the month of October 2019 was not initially included on the statement. Additionally, costs were inaccurately included under CLIN FR00 as it was not allowable per the contract under audit. This resulted in additional time reviewing and updating the SPFS as to not have it be materially misstated.

Recommendation: We recommend that SES:

1. Review their internal controls over financial reporting and make any updates necessary to include a review of financial reporting before issuance.
2. Gain a sufficient understand of the SPFS and what is required to ensure it is not materially misstated.

(Continued)

FINDING 2021-02: Lack of Competitive Procurement

Deficiency in Internal Control and Noncompliance

Condition: We noted that for one procurement, valued at \$13,051, out of 20 procurement samples selected, supporting documentation was not provided indicating the use of competitive procedures. The procurement was for "Calibration Services for KAF."

Additionally, the sole source justification form did not include any information to detail why competition was waived and how this vendor was determined to be the sole provider of goods. On their "Purchase Order Bid Analysis and Source Selection" form for the Vendor both the "Source Selection" and "Price Justification sections" were left blank and an additional sole source justification form was not attached. The form was also not signed by a second individual, as required by their policy.

In our discussions with SES, they advised us the procurement was originally under the micro-purchase threshold, which did not require competitive procedures, but a subsequent change order was made for additional calibration support that pushed the original procurement past the micro purchase threshold of \$10,000. This was one procurement transaction that had a change order that increased the procurement above the micro-purchase threshold. SES indicated that both the base (\$10,000) and the change order (\$3,501) would be considered micro purchases on their own. Based upon the lack of supporting documentation, Crowe was not able to determine what the pricing should have been had a competitive procurement been conducted or that the pricing was fair and reasonable. As a result, we are questioning the total value of the original procurement plus the change order in the amount of \$13,051.

Criteria:

DFARS 252.244-7001(c), Contractor Purchasing System Administration

(c) System criteria. The Contractor's purchasing system shall...

(7) Use competitive sourcing to the maximum extent practicable, and ensure debarred or suspended contractors are properly excluded from contract award;

(8) Evaluate price, quality, delivery, technical capabilities, and financial capabilities of competing vendors to ensure fair and reasonable prices;

(9) Require management level justification and adequate cost or price analysis, as applicable, for any sole or single source award..."

In addition, SES's procurement policy states a sole source justification form must be completed and signed by the Project Director and another officer prior to awarding sole source procurements.

"5.5 MICRO-PURCHASES AT OR BELOW \$10,000

File document requirements for Micro Purchases are minimal. For this level of procurement, the only documents required are a Purchase Requisition, Purchase Order, and documentation only if the price has not been determined fair and reasonable. However, some other documents of a bona fide need, such as price quotes and closeout documentation, may also be included.

Although price reasonableness documentation is not required, the SES Buyers are required to make sure Micro Purchases are fair and reasonable."

"5.6 PROCUREMENTS AT OR BELOW SIMPLIFIED ACQUISITION THRESHOLD (\$10,000 - \$250,000)

The Science & Engineering Services, LLC
Section I: Summary Schedule of Findings and Questioned Costs
Delivery Order Number W58RGZ18F0063
For the Period October 1, 2019, through September 30, 2021

Procurements at or below the Simplified Acquisition Threshold (SAT) require the following documentation, when applicable: Purchase Requisition; Purchase Order; Sole Source Justification; Competition Documentation; Memorandum of Price Reasonableness; Documentation of Negotiation; Protecting the Governments Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (Debarment Certification, \$35,000); Defense Priorities and Allocations Systems (DPAS); Federal Funding Accounting and Transparency Act of 2006 (Reporting of Executive Compensation, \$30,000); Limitation on Use of Appropriated Funds to Influence Certain Federal Transactions Certification (Anti-Lobbying, \$150,000); Advance Notification/ Prior Consent (Based on prime contract requirements); Closeout documentation when the procurement is closed out.”

Questioned Costs: \$13,051

Cause: Management’s policies and procedures do not address instances where an individual procurement is modified and causes the total dollar value to cross from a less restrictive, smaller threshold (such as micro-purchase) to that which has more restrictive requirements and requires a competitive procurement process.

Effect: Management did not comply with their procurement policy and may have unfairly waived competition resulting in a risk of kickbacks, financial loss, or benefit to the delivery order.

Recommendation: We recommend that SES:

1. Repay the U.S. government for the \$13,051 of unsupported costs if they cannot provide documentation supporting that there was competition used in the procurement process.
2. Update SES policy and/or procedures to provide guidance on how to document a purchase when it exceeds the micro- threshold due to a change order or modification that increases the total cost.

The Science & Engineering Services, LLC
Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings
Delivery Order Number W58RGZ18F0063
For the Period October 1, 2019, through September 30, 2021

Crowe also requested from SES, SIGAR, and Army copies of prior audits, reviews, and evaluations pertinent to SES's activities under the delivery order. Based on Crowe's communications with SES, SIGAR, and the Army, Crowe reviewed two (2) prior audit reports that may be direct and material to the Special Purpose Financial Statement. They may also be direct and material to other financial information significant to the audit objectives. We concluded that neither of the reports contained findings or recommendations that required additional testing or follow up.

Appendix A: Views of Responsible Officials

The Science & Engineer Services, LLC provided the following response to Crowe via email on October 4, 2023, regarding the findings contained in the draft report. The response has been included herein verbatim.



October 4, 2023

Crowe LLP
1455 Pennsylvania Avenue N.W., Suite 700
Washington, DC 2004-1008

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

W58RGZ18F0063 SIGAR Audit

Dear Crowe LLP:

SES appreciates the opportunity to respond to the draft SIGAR audit report on subject contract. Below are SES's responses to the two audit findings identified by Crowe in the draft audit report.

Finding 2021-01: Material Weakness over Internal Controls of Financial Reporting

Finding 2021-01 has two subparts:

1. CLIN FR00 costs reported on the initial SPFS:

SES disagrees that the inclusion of the FR00 CLIN caused a material misstatement on the initial submission of the SPFS. In the initial submission of the SPFS and Notes to the SPFS by SES to Crowe on February 17, 2023, SES clearly stated how the costs on internal code 07401.8F0063.FR00 were related to the contract. SES did not omit these costs from the SPFS.

SES was directed by the Contracting Officer to collect these costs outside of a funded CLIN on the contract to later be reimbursed. SES complied with the contracting officer's request by tracking the costs on FR00 and funding was subsequently awarded on the contract. Documentation of the Contracting Officer's request was provided to Crowe.

Additionally, SES received no instruction from Crowe on how to list these costs on the SPFS prior to submission of the SPFS and related Notes to the SPFS. When Crowe brought this topic up four months later in June 2023 during a conference call, SES responded by providing a detailed reconciliation of the FR00



costs, documentation of the funding request to the Contracting Officer, and a revised SPFS and Notes to the SPFS.

2. October 2019 Charges on the SPFS

Three business days prior to the initially scheduled audit exit conference, SES employees discovered that a general ledger report used to construct the SPFS erroneously omitted charges incurred on the program during October 2019.

Upon this discovery, SES immediately notified Crowe of the error and provided an updated SPFS as well as all documentation requested by Crowe for their review of the newly reported October 2019 charges.

SES acknowledges this error. All SPFS files required in future audits will be adequately reviewed by SES management to ensure the correct data is provided.

Finding 2021-02: Lack of Competitive Procurement

SES disagrees with Finding 2021-02. The subject purchase order L20P003141 base award was issued to [REDACTED] for calibration services of items being used in Afghanistan. [REDACTED] was the selected vendor because they calibrate the items at their location in the Middle East, which was a much more cost and time effective solution than shipping parts from Afghanistan to the U.S for calibration.

A sole source justification was not included in the PO file since it was anticipated that the cost would be minimal; therefore, the base effort was awarded at the Micro Purchase limit of \$10,000. The initial items that were calibrated were invoiced on 8/17/2020 and 9/10/2020 at a total cost of \$7,551, well within the Micro Purchase Threshold.

Once it was determined that additional items would require calibration services, parts were sent to [REDACTED] who performed the calibration and in turn submitted 10/1/2020 invoices in the amount of \$5,500.00. Instead of placing the additional services on a new PO, it was determined that creating a change order to the existing PO would be the most efficient path forward. Since the PO had \$2,449.00 of available funding, a change order was created to add an additional \$3,051.00.

It is SES' policy to treat base awards and subsequent modifications as separate awards standing on their own. Therefore, both awards (base at \$10,000 and change order 1 at \$3,051) were considered to be micro purchase orders. Although the SES Buyer does make a determination that micro purchases are priced fair and reasonable, in accordance with the Federal Acquisition Regulation, the PO file document requirements for micro purchases are minimal. Therefore, documents such as Sole Source Justifications and Memorandums of Price Reasonableness are typically excluded from the file.

A modification of a micro purchase order that causes the total dollar value of the purchase order (including modifications) to exceed \$10,000 does not require more restrictive requirements such as a competitive procurement process unless the dollar value of the modification exceeds \$10,000.

Other Requested Changes

Additionally, we request the following changes be made to the draft report:

1. Change all references to SES in the report to either “SES” or “Science and Engineering Services, LLC”
2. On page 2 of the report, SES’s headquarters are located in Colombia, MD with aircraft MRO work occurring in Huntsville, AL.

Sincerely,

A large black rectangular redaction box covering the signature of the Chief Executive Officer.

Chief Executive Officer

Appendix B: Auditor's Rebuttal

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management responses of The Science & Engineering Services, LLC ("SES" or "the auditee") responses to the draft report audit findings provided to Crowe on October 4, 2023. In consideration of those views, Crowe has included the following rebuttal to certain matters presented by the auditee. Crowe incorporates a rebuttal in those instances where management disagrees with the facts presented within the condition, does not concur with Crowe's recommendation, or provides additional documentation for review. In those instances where management either agrees with the finding or does not disagree with the facts in the finding, as presented, no rebuttal is provided. Using this framework, Crowe has incorporated two rebuttals to management's comments, below.

FINDING 2021-01: Material Weakness over Internal Controls of Financial Reporting

Management disagreed with the finding that the inclusion of the FR00 CLIN and omission of costs from October 2019 which created material misstatements in the SPFS before it was updated. We have reviewed management's response and noted that the response did not include any new additional supporting documentation that altered the finding. The inclusion of an unbudgeted CLIN materially misstated the initial submission. When we conducted our initial review and suggested that SES update the SPFS to properly account for the costs by CLIN, SES's initial response was that it would be too costly and time-consuming to update the SPFS FR00 costs to the correct CLIN. Additionally, SES agreed that that the initial SPFS provided included a material omission of costs that were incurred during the month of October 2019. However, as indicated in the finding, all suggested updates were subsequently made by SES. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate, audit evidence to clear the reported matters, the finding has not been changed.

FINDING 2021-02: Lack of Competitive Procurement

Management disagreed with the finding that a lack of competitive procurement was utilized and, therefore, created a questioned cost of \$13,051. We have reviewed management's response and noted that the response did not include any new additional supporting documentation that altered the finding. The total dollar value of the initial award plus subsequent modification caused the procurement to exceed the micro-purchase threshold, resulting in the need for additional documentation. In consideration of these matters and management not having provided documentation that may serve as sufficient, appropriate, audit evidence to clear the reported matters, the finding has not been changed.

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SIGAR's Mission

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

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

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publicly released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

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

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

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