



**DEFENSE CONTRACT AUDIT AGENCY**  
**AUDIT REPORT NO. 3181-2007D17900008**



November 27, 2009

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 Department of State  
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**SUBJECT:** Report on Audit of Labor Hour Billings through Public Voucher 1473-37, under Contract No. S-LMAQM-04-C-0030, Task Order S-AQMPD-05-F-1473 (Afghanistan)

**REFERENCES:** Relevant Dates: See Page 25

**CONTRACTOR:** DynCorp International LLC  
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**REPORT RELEASE RESTRICTIONS:** See Page 26

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**SUBJECT OF AUDIT**

As requested by the Bureau of International Narcotics and Law Enforcement Affairs, Department of State, on April 16, 2007, we examined DynCorp International LLC's (DI) direct labor hours on Contract No. S-LMAQM-04-C-0030, Task Order (TO) S-AQMPD-05-F-1473 (Afghanistan). This task order provides for the maintenance and operation of a Central Training Center and Regional Training Centers providing basic skills training for the Afghanistan National Police, Border Police, and Highway Patrol. The task order period of performance was September 16, 2004 thru August 31, 2005.

The accumulation, recording, and reporting of cost incurred and billed on contracts is the responsibility of the contractor. Our responsibility is to express an opinion on the claimed labor costs based on our examination.

**SCOPE OF AUDIT**

We conducted our examination in accordance with generally accepted Government auditing standards (GAGAS), except DCAA does not currently have an external opinion on its quality control system as required by GAGAS 3.55. The most recent external quality control review opinion expired on August 26, 2009. A review of DCAA's quality control system is currently being performed. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the data and records examined are free of material misstatement. An examination includes:

- evaluating the contractor's internal controls, assessing control risk and determining the extent of audit testing needed based on the control risk assessment;
- examining, on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated;
- assessing the accounting principles used and significant estimates made by the contractor;
- evaluating the overall data and records presentation; and
- determining the need for technical specialist assistance.

We evaluated the direct labor hours incurred using the applicable requirements contained in the:

- Federal Acquisition Regulation (FAR);
- Department of State Acquisition Regulations (DOSAR);
- Cost Accounting Standards (CAS); and
- Terms and Conditions of Contract No. S-LMAQM-04-C-0030.

As addressed in Audit Report No. 3181-2007D11070001 issued October 15, 2009, we determined DI's control environment and overall accounting system, policies, and procedures are inadequate. We also consider the billing system to be inadequate in Audit Report No. 3181-

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2009D11010001 issued April 23, 2009 (see Contractor Organization and Systems section, page 11, for detailed explanation of the billing system internal control deficiencies). In addition, we determined that DI’s compensation system and related internal controls, policies, and procedures are inadequate in Audit Report No. 3181-2008D13020001 issued April 29, 2009. As addressed in Audit Report No. 03181-2007D13010001 issued March 18, 2009, we determined DI’s labor system and related internal controls, policies, and procedures are inadequate. Our audit scope reflects our assessment of control risk and includes audit tests designed to provide a reasonable basis for our opinion.

**RESULTS OF AUDIT**

In our opinion, \$ [REDACTED] of the \$ [REDACTED] claimed direct labor costs incurred during the period of September 16, 2004 through August 31, 2005 on Contract No. S-LMAQM-04-C-0030, Task Order (TO) 1473 are provisionally approved pending final acceptance. Final acceptance of amounts claimed under Government contracts does not take place until performance under the contract is completed and accepted by the cognizant authorities and the audit responsibilities have been completed.

We discussed the results of our examination with Ms. Dee Tansey, Director DI CIVPOL Contracts, in an exit conference held on June 4, 2009. Ms. Tansey concurred with the audit results.

The results of our examination are presented below:

**Base Year:**

<u>CLIN</u>	<u>Description</u>	<u>Claimed</u>	<u>Questioned</u>	<u>Difference</u> (Note 1)	<u>Note</u>
0015	Commanders/Executive Officers	\$ [REDACTED]	-	\$ [REDACTED]	
0020	Law Enforcement / Police Advisors	[REDACTED]	-	[REDACTED]	2
0024	Interpreters	[REDACTED]	-	-	
0025	Program Manager	[REDACTED]	-	[REDACTED]	
0026	Deputy Program Manager	[REDACTED]	-	[REDACTED]	
0027	Logistics Supervisor	[REDACTED]	-	[REDACTED]	
0028	Logistics Coordinator	[REDACTED]	-	[REDACTED]	
0029	Physicians Assistant	[REDACTED]	-	[REDACTED]	
0030	Registered Nurse	[REDACTED]	-	[REDACTED]	
0031	Medics	[REDACTED]	-	[REDACTED]	
0032	Administrative Assistants	[REDACTED]	-	[REDACTED]	
	<b>TOTAL – Base Year</b>	<u>\$ [REDACTED]</u>	<u>\$ -</u>	<u>\$ [REDACTED]</u>	

Option Year 1:

<u>CLIN</u>	<u>Description</u>	<u>Claimed</u>	<u>Questioned</u>	<u>Difference</u> (Note 1)	<u>Note</u>
1009	Supervisory/Management Officer	-	-	-	
1015	Commanders/Executive Officers	\$ [REDACTED]	-	\$ [REDACTED]	
1020	Law Enforcement / Police Advisors	[REDACTED]	-	[REDACTED]	2
1024	Interpreters	-	-	-	
1025	Program Manager	[REDACTED]	-	[REDACTED]	
1026	Deputy Program Manager	[REDACTED]	-	[REDACTED]	
1027	Logistics Supervisor	[REDACTED]	-	[REDACTED]	
1028	Logistics Coordinator	[REDACTED]	-	[REDACTED]	
1029	Physicians Assistant	[REDACTED]	-	[REDACTED]	
1030	Registered Nurse	[REDACTED]	-	[REDACTED]	
1031	Medics	[REDACTED]	-	[REDACTED]	
1032	Administrative Assistants	[REDACTED]	-	[REDACTED]	
1044-10	Fixed Rate Labor – US Site Sec.	[REDACTED]	-	[REDACTED]	3
1044-23	Fixed Rate Labor – FN Site Sec.	[REDACTED]	-	[REDACTED]	4
1044-Other	Fixed Rate Labor – Other	[REDACTED]	-	[REDACTED]	
	TOTAL – Option Year 1	\$ [REDACTED]	-	\$ [REDACTED]	
	Rounding	[REDACTED] 1	[REDACTED]	[REDACTED] 1	
	TOTAL – Base & Option Year 1	\$ [REDACTED]	\$ -	\$ [REDACTED]	

EXPLANATORY NOTES

1. Difference

The amounts in this column are presented solely for the convenience of the procurement activity in developing its negotiation objective. They represent only the arithmetic difference between the amounts proposed and the related questioned costs. You should not consider the amounts to be audit approved or recommended amounts.

2. Law Enforcement / Police Advisors (CLINs X020)

a. Summary of Conclusions:

We take no exception to the labor costs billed under CLINs 0020 and 1020.

b. Basis of Contractor’s Cost:

The contractor based its amounts billed through Voucher 1473-37 on [REDACTED] claimed on [REDACTED]. The [REDACTED] were applied to a [REDACTED] rate of [REDACTED]

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For [REDACTED], a [REDACTED] rate of [REDACTED] was applied for [REDACTED]. Total labor costs billed under CLIN 0020 amounted to [REDACTED].

c. Audit Evaluation:

For labor CLINs X009-X032, we limited our review to CLIN 0020, Law Enforcement / Police Advisors, as this represented [REDACTED] percent of all the labor charged on TO 1473 for these CLINs. We selected a statistical sample of employees that charged hours on CLINs 0020 and 1020. We obtained Foreign Service Agreements (FSA), timecards, and advice of payments (pay stubs) for the sampled employees and reconciled the hours billed to the time cards and advice of payments.

We reviewed sampled employee's personnel files to determine if each hired employee possessed the necessary qualifications to meet the minimum contract requirements. We noted no exceptions.

3. Fixed Rate Labor CLIN 1044-10 Site Security (US)

a. Summary of Conclusions:

We take no exception to the labor costs billed under CLIN 1044, category 10 for U.S. Site Security personnel.

b. Basis of Contractor's Cost:

The contractor based its amounts billed through Voucher 1473-37 on [REDACTED] as established through [REDACTED]. The [REDACTED] was applied to a [REDACTED] rate of [REDACTED] for a total billed amount of \$ [REDACTED].

c. Audit Evaluation:

For the fixed-rate labor CLIN 1044, we limited our review to categories 10 (Site Security – US) and 23 (Site Security – FN), as these represented [REDACTED] percent of all the labor charged on TO 1473 for CLIN 1044. Category 10 represents [REDACTED] percent of CLIN 1044 labor costs. We selected a statistical sample of employees who charged hours on CLIN 1044 category 10. We obtained Foreign Service Agreements (FSA), timecards, and advice of payments for the sampled employees.

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4. Fixed Rate Labor CLIN 1044-23 Site Security (Foreign Nationals)

a. Summary of Conclusions:

We take no exceptions to the labor costs billed under CLIN 1044, category 23 for foreign nationals site security.

b. Basis of Contractor's Cost:

The contractor based its amounts billed through Voucher 1473-37 on [REDACTED] as established [REDACTED]. The [REDACTED] was applied to a [REDACTED] rate of [REDACTED] for a total billed amount of [REDACTED]

c. Audit Evaluation:

For the fixed-rate labor CLIN 1044, we limited our review to categories 10 (Site Security – US) and 23 (Site Security – FN), as these represented [REDACTED] percent of all the labor charged for CLIN 1044 on TO 1473. Category 23 represents [REDACTED] percent of CLIN 1044 labor costs. We selected a statistical sample of employees who charged hours on CLIN 1044 category 23. We obtained Foreign Service Agreements (FSA), timecards, and advice of payments for the sampled employees.

**CONTRACTOR ORGANIZATION AND SYSTEMS**

1. Organization

DynCorp International, LLC (DI) is a provider of a broad range of technical services to civilian and military Government agencies and commercial customers. It provides law enforcement training and support, security services, base operations, logistics support and aviation services and operations. DI's primary customers include the Department of State; the Army, Air Force, Navy and Marine Corps (Department of Defense); the Department of Homeland Security and commercial customers and foreign governments.

DI is headquartered in Falls Church, Virginia, with the accounting, payroll, accounts payable, human resources, information technology, and billing functions located in Fort Worth, Texas. DI is listed on the New York Stock Exchange (NYSE) under the symbol "DCP". Total DI revenues for Fiscal Year (FY) ended April 3, 2009 (FY 2009) were \$3.09 Billion. DI projects estimated revenue of \$3.6 Billion in FY 2010. As of March 28, 2009 DI had over 21,200 employees in 34 countries, and 50 contracts with more than 75 task orders ranging in duration from three to ten years.

DI operates through four core operating segments: Global Linguist Solutions (GLS), Global Stabilization & Development Solutions (GSDS), Field Service Operations (FSO) and Aviation & Land Support Solutions (ALSS). Two of the operating divisions, FSO and ALSS reside under an intermediate home office, Global Platform Support Solutions (GPSS).

The Global Linguist Solutions (GLS) segment is a 51 percent-owned populated joint venture with McNeil Technologies created to compete for the INSCOM contract to provide linguist and translation services to US forces in Iraq. Prior to FY 2010 it was a subsidiary under the former International Security Services (ITS) segment. DI has projected FY 2010 revenues for GLS in the amount of \$700 million.

The Global Stabilization & Development Solutions (GSDS) segment provides international civilian police training, security and mentoring, infrastructure development, and operations and logistics support. Major contracts performed under the GSDS segment include but are not limited to the LOGCAP IV and War Reserve Material contracts, and Department of State CIVPOL contract. DI has projected FY 2010 revenues for GSDS in the amount of \$1.5 billion. Additionally, this segment contains two unpopulated joint ventures, PaTH and CRS.

The Global Platform Support Solutions (GPSS) functions as an intermediate home office for Field Service Operations (FSO) and Aviation & Land Support Solutions (ALSS). It includes the business operations previously under the Maintenance & Technical Support Services (MTSS) segment, as well as the Company's domestic and international aviation activities, including fire-fighting, specialty aviation and narcotics crop eradication.

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The Field Service Operations (FSO) segment provides field maintenance and support services for military equipment. A major contract performed under FSO is the Contract Field Teams (CFT) contract. DI has projected FY 2010 revenues for FSO in the amount of \$393 million.

The Aviation & Land Support Solutions (ALSS) segment provides logistics and aviation support services. DI has projected FY 2010 revenues for ALSS in the amount of \$1.1 billion.

2. Accounting and Management Systems

<i><b>Audit Status of Accounting and Management Systems</b></i>		
<i><b>Systems Audited</b></i>	<i><b>Status</b></i>	<i><b>Report Date</b></i>
Budget and Planning (Limited Scope)	Inadequate	11/19/2009
Control Environment and Overall Accounting Controls	Inadequate	10/15/2009
Labor	Inadequate	03/18/2009
Billing	Inadequate	04/20/2009
Compensation	Inadequate	04/29/2009
Information Technology	Inadequate in Part	04/17/2007
<i><b>Systems Scheduled for Audit</b></i>		<i><b>Scheduled Completion</b></i>
Purchasing		FY 2010
Estimating		FY 2010
Indirect and Other Direct Costs		FY 2011
<i><b>Systems To Be Reviewed for Applicability</b></i>		
Material Management and Accounting		FY 2011

For the systems not yet audited, the scope of our examinations continues to include increased tests of compliance with applicable laws and regulations that we believe provide a reasonable basis for our audit opinions.

3. Control Environment and Overall Accounting System

As addressed in Audit Report No. 3181-2007D11070001 issued October 15, 2009, we determined DI's control environment and overall accounting system, policies, and procedures are inadequate. Test procedures were applied from June 24, 2008 through September 25, 2009. We identified ten significant deficiencies which are summarized below:

- Inadequate Employee Training Compliant with Company Ethics Program Requirements

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- Inadequate Policies and Procedures Regarding Disclosure of Information as Required by Government Laws & Regulations
- Inadequate Delineation of Authority
- Inadequate Requirements for CAS and FAR Compliance Training
- Lack of Advanced Agreement Process
- Inadequate Reconciliation Procedures
- Inadequate Policies and Procedures for Monitoring and Segregating Unallowable Cost
- Inadequate Written Procedures for Project Accounting
- Inadequate Written Procedures for Adjusting Costs
- Inadequate Process to Identify Disclosure Statement Changes

As a result of our control risk assessments, we will perform increased substantive testing (i.e., analytical procedures and/or transactions testing) in the areas of Contract Pricing, Defective Pricing, Incurred Material Costs, Incurred Labor Costs, Incurred Indirect/ODC Costs, Billings, Close-outs, Disclosure Statements, and CAS Compliance (especially for CAS 401 and 402 related issues).

DynCorp International LLC (DI) Corporate Finance Officer (CFO) is responsible for the overall accounting controls. DI maintains accounting control through the [REDACTED] financial system general ledger. Entries into the system are accomplished by automated and manual journal entries (JEs).

The [REDACTED] financial system was implemented in November 2004 and was upgraded to version [REDACTED] in July 18, 2008. Prior to the implementation of [REDACTED] DI used two other accounting software platforms. The timeline of DI's systems is shown below.

- [REDACTED] - February 1999 to March 2006
- [REDACTED] - December 1991 to current
- [REDACTED] - November 2004 to current

There are currently no active contracts being accounted for in [REDACTED]. Three active contracts (LAO, PSD, and CFT/FLD) were never migrated into [REDACTED] and are still being accounted for in [REDACTED]. All other active contracts are accounted for in [REDACTED].

JE's can be initiated by sites, [REDACTED] Accounting ( [REDACTED] the [REDACTED] group, or [REDACTED] Accounting. [REDACTED] Accounting and the [REDACTED] are responsible for journal entries at the [REDACTED] level while [REDACTED] Accounting is responsible for consolidated and home office related entries. The decision of who processes certain JE's for a project is decided on a project by project basis. The type of JE and reason for the JE determines which group ( [REDACTED] Accounting or the [REDACTED] ) processes the JE. JE's that are program specific and initiated by sites are usually processed by [REDACTED] Accounting while more general/recurring (e.g., adjustments, intercompany, etc.) JE's are normally processed by the [REDACTED].

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DI operates through four core operating segments: Global Linguist Solutions (GLS), Global Stabilization & Development Solutions (GSDS), Field Service Operations (FSO) and Aviation & Land Support Solutions (ALSS). Two of the operating divisions, FSO and ALSS reside under an intermediate home office, Global Platform Support Solutions (GPSS). Unlike GSDS and GPSS, GLS does not have [REDACTED] accountants. GLS billing and [REDACTED] accounting is performed by the GSDS segment.

After all cost and revenue has been recorded, the [REDACTED] Accountant initiates a process in [REDACTED] to convert the monthly data to a file that can be read by [REDACTED]. The file is submitted to the [REDACTED] Director who initiates a process to convert the [REDACTED] data into a journal entry that can be uploaded into [REDACTED]. The journal entry is provided to the [REDACTED] Accountant in the [REDACTED] Department. The file is uploaded and provided to the [REDACTED] Manager for approval and posting. Once the [REDACTED] files have been loaded into [REDACTED] all [REDACTED] data is extracted by the [REDACTED] Administrator.

The consolidation process is executed at the [REDACTED] in [REDACTED] by the [REDACTED] Department. Consolidated financial statements are produced through an upload of source ledger data ([REDACTED]) into the consolidation software, [REDACTED]. Upon notification from the [REDACTED] Manager that the data in [REDACTED] is complete, a "test close" is performed in [REDACTED] by [REDACTED] to confirm that no transactions remain unposted. All modules within [REDACTED] for the month are closed with the exception of [REDACTED] which is used for testing. (This module will be closed upon notification from [REDACTED] that it is no longer needed.) An email is sent to the [REDACTED] Manager confirming the period close. Once the [REDACTED] modules are closed, the data load into [REDACTED] begins.

The [REDACTED] Administrator extracts financials from [REDACTED] into a MS Excel file for upload into [REDACTED]. He verifies that each organization trial balance nets to zero prior to loading into [REDACTED] (C2160). Next, he reconciles [REDACTED] to [REDACTED]. The Director [REDACTED] (or authorized designee) authorizes the [REDACTED] to close [REDACTED]. The Director [REDACTED] (or authorized designee) reviews and approves the [REDACTED] close documents, which are retained by the [REDACTED] Administrator. See sub-process 211 for more details.

If accounting adjustments are required after the [REDACTED] accounting close, JEs will be made directly into [REDACTED]. These [REDACTED] entries are referred to as top-sided adjustments. Top-sided entries must be reviewed and approved by [REDACTED] Accounting before the [REDACTED] Department inputs them into [REDACTED]. The level of approval depends upon the type and materiality of the adjustment. This is documented in the Approval Process for [REDACTED] Adjustments.

DI has identified various levels of internal controls within the organization. Specifically, there are [REDACTED] Level Controls (ELC's), [REDACTED] Level Controls (CLC's), and Sarbanes Oxley (SOX) or process controls. CLC's are at the company level and examples would be journal entry approval, excel spreadsheet controls and balance sheet reconciliations. [REDACTED] level controls

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(ELC's) pertain to corporate governance and examples would be employee hotline monitoring, audit committee meetings and charters, internal audit qualifications, presentations and the related charters. DI also has written Policies and Procedures at various levels including, policy statements, DI procedures, and desk procedures.

Sarbanes Oxley

In CFY 2008 DI developed new standards over the documentation of Internal Controls to meet the requirements of the Sarbanes-Oxley Act of 2002.

Policy Statement (PS) [REDACTED] provides a basic understanding of the Sarbanes Oxley Act of 2002 (The Act) Section 404 and the method that DynCorp International will utilize to meet the objectives and requirements of Section 404 of the Act.

Per PS [REDACTED]

Section 404 of the Sarbanes Oxley Act of 2002 requires annual reports filed by public companies to include a statement of management's responsibility for establishing and maintaining an adequate internal control structure and procedures for financial reporting and a Management assessment, of the effectiveness of the company's internal control structure and procedures for financial reporting as of the end of the fiscal year.

DI's [REDACTED] Team was responsible for establishing a library of controls (or control activities) by [REDACTED], i.e. [REDACTED] etc. Utilizing experience and judgment, the [REDACTED] team Director and Managers will then determine key controls by reviewing all control activities within the defined scope, assessing the control activities relative to financial statement assertions and ensuring that sufficient key controls are selected to meet required control objectives.

DI has identified and written descriptions for a total of [REDACTED] control libraries (processes) and [REDACTED] sub-processes. General categories include [REDACTED] and [REDACTED] DI's CLC number [REDACTED] requires [REDACTED] Documentation is reviewed on a [REDACTED] basis to ensure that all changes in processes, controls and risks in the control environment are reflected in the [REDACTED] documentation.

[REDACTED] interfaces with other management system applications and the inputs into [REDACTED] are essentially the outputs from those other systems. DI has a complicated IT design which includes [REDACTED] to the [REDACTED] financial system. There are risks at each interface for a loss of data.

Related [REDACTED] systems that impact the accounting system and [REDACTED] are as follows:

- [REDACTED]

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- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED] and [REDACTED]
- [REDACTED]

Details of each major application interface and any identified deficiencies within them are discussed below in the relevant paragraphs.

4. Information Technology System

As addressed in Audit Report No. 3311-2006Q11510001 issued April 17, 2007, we determined DI's Information Technology (IT) System general internal controls are inadequate in part. We reported the following conditions:

- The contractor does not have a comprehensive contingency (disaster recovery) plan for IT operations;
- The contractor does not monitor its violation and security activity reports;
- The contractor does not have a formal IT security awareness program; and
- The contractor does not have policies, procedures and processes for monitoring user accounts.

The contractor developed a Corrective Action Plan in response to our audit; however, implementation of the corrective actions was delayed. As of September 21, 2009, DI has asserted that all tactical corrective actions have been implemented with more long range, strategic actions in process (e.g. [REDACTED]). Once all corrective actions are complete and there is sufficient data for testing, a follow-up audit will be conducted and the results of our verification of the contractor's corrective actions provided. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

5. Billing System

As addressed in Audit Report No. 3181-2009D11010001 issued April 23, 2009, we determined DI's billing system and related internal controls, policies, and procedures are inadequate. Test procedures were applied from December 2008 through March 30, 2009. We identified five significant conditions which are summarized below:

- DI does not have adequate controls in place to assure contract briefs contain adequate information for the billing department to prepare current, accurate, and complete cost vouchers in accordance with the contract terms.
- DI does not have adequate controls in place for charging costs per FAR 31.202 and DI's disclosure statement.

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- DI does not have adequate written policies and procedures for its assessment and administration of subcontractor billings.
- DI does not have adequate controls in place to prepare and submit vouchers correctly.
- DI does not have an Incurred Cost Schedule I in its FY 2005, 2006, 2007, and 2008 incurred cost submissions as required by the Allowable Cost and Payment clause, FAR 52.216-7.

Subsequent to the report cited above, an internal control deficiency, relating to vouchers of DI's Global Linguist Solutions (GLS) segment, was identified during the examination of paid vouchers. This deficiency was reported in a flash report, Report No. 3181-2009D11010003, dated September 16, 2009. Specifically, the deficiency identified during the voucher examinations related to DI's failure to adequately monitor its subcontractor billings to ensure the billings complied with the terms of the negotiated subcontract agreements. GLS' failure to adequately monitor subcontract billings resulted in an overpayment totaling \$1.8 million, which GLS has since credited back to the Government.

As a result of our control risk assessments, our audit effort will be increased for billings, closeouts, financial capability, CAS, and other costs. The contractor has developed a Corrective Action Plan in response to our original and, as of September 4, 2009, DI has asserted that all corrective actions have been implemented. Once there is sufficient data for testing, a follow-up audit will be conducted and the results of our verification of the contractor's corrective actions provided. Additional testing will also be performed to assess correction of the deficiency noted in the flash report cited above. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

The DI [REDACTED] Department is responsible for the billing function. There are two billing centers:

- [REDACTED] (formerly the [REDACTED] and [REDACTED] segments) has a separate Billing function within [REDACTED], led by a [REDACTED] Director, that performs billing for the [REDACTED] and [REDACTED] segments. It also performs the billing for the [REDACTED] and [REDACTED] that are managed by the [REDACTED] segment.
- [REDACTED] does not have a separate billing function. The [REDACTED] Accountants within [REDACTED] perform the billing function. [REDACTED] also bills for its [REDACTED] Segment and [REDACTED] Segment.

DI Policy and Procedure [REDACTED] Billing, outlines the billing procedures. Billing briefs are maintained by the [REDACTED] Staff; contract briefs are maintained by the [REDACTED] Department. [REDACTED] updates the billing briefs after the receipt of [REDACTED]. [REDACTED] coordinates with [REDACTED] Staff to ensure contract modifications are received and documented on the billing brief in a timely manner. The [REDACTED] Manager

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monitors the [REDACTED] Procedures. Each [REDACTED], etc. has its own [REDACTED] Procedures for preparing billings. The procedures are different by [REDACTED] and [REDACTED] Billing brief requirements are included in the [REDACTED] Procedures.

Upon CACO approval of the provisional indirect billing rates, the [REDACTED] department, independent of the billing function, updates all rates [REDACTED] in the [REDACTED] System. Application of rates is monitored by the [REDACTED] Manager in each unit. The [REDACTED] Manager determines what rates are applied based on contract requirements.

DI uses its [REDACTED] financial system to generate the current and cumulative costs. Invoices on Government contracts are submitted based on the payment terms contained in the contract or as directed by the [REDACTED] Officer. [REDACTED] checks a box in upon contract setup in [REDACTED] identifying the costs that are billable such as [REDACTED] [REDACTED] postings, and [REDACTED] postings. The set-up of the billing items is entered in the [REDACTED] System by [REDACTED] and is based on contract requirements. Cost reimbursable billing items are scrubbed for unallowable costs at the time the cost is incurred at the [REDACTED] level. It is the responsibility of the [REDACTED] manager from each department to identify the unallowable costs. During the [REDACTED] process, changes in the rates are identified and examined to determine what caused the changes. If an unallowable cost is identified at this point, it is traced back to the source documentation and a correction is made in the form of a [REDACTED]. Items are also scrubbed for unallowable costs during the [REDACTED]. The actual billings and formatted through [REDACTED] or [REDACTED].

Funding at the project level is maintained in [REDACTED] [REDACTED] will not bill if there is no funding available on a particular contract. The billable items on hold are reviewed to determine why there is no funding available. For example, it can be because the item was placed on the wrong CLIN and should not be there. [REDACTED] determines where the item should be billed and corrects the errors causing it to bill incorrectly. The [REDACTED] Manager is responsible for notifying the [REDACTED] and [REDACTED] representatives of any funding issues.

Upon billing [REDACTED] moves the cost from the Open Billing Detail to the Closed Billing Detail. It is the responsibility of [REDACTED] to reconcile cost reimbursable billings to the general ledger and to subsequent payments received. The system generated cost reports, including [REDACTED] [REDACTED] and [REDACTED] reports, are used to compare actual costs to the invoice. Reconciliation of the cost reports to the invoice is prepared to identify variances. Distribution corrections (labor and/or accounts payable) are prepared to correct variances identified in the reconciliation process.

Fixed Price and T&M contract costs are not reconciled because the billings for these items are driven by a unit price or catalog price. However, the costs incurred are reviewed by [REDACTED] for Profit and Loss purposes.

Invoice payment information is downloaded daily from the bank website and reconciled to the Aged Analysis of Billed Receivables report by contract. Invoice short pays are identified

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and coordinated with the appropriate payment center or contracting office for research and resolution. Invoice overpayments are identified and a request sent to DI [REDACTED] for ACH transfer or check in accordance with customer direction.

Cash is posted daily in order to update the Aged Receivable report to reflect receipt of payment. Any excess payment is identified immediately by reconciling the payments to the DFAS data dump.

Monthly reports are presented to [REDACTED] Management to review and comment on the Billed Receivable Detail Explanations and the Unbilled Receivable Detail as they relate to the billing process. The Billed Receivable Detail is analyzed by management; the monthly discussions are documented. In Management Review meetings the focus is on 'Over 30 Days' on the Billed Receivable Detail. Explanations are provided to the owners for any items classified as 'Over 30 Days'.

### 6. Compensation System

As addressed in Audit Report No. 3181-2008D13020001 issued April 29, 2009, we determined that DI's compensation system and related internal controls, policies, and procedures are inadequate. Test procedures were applied from March 2008 through September 11, 2008. Our examination disclosed eight significant deficiencies that are considered to be material weaknesses in DI's compensation system that result in excessive, unreasonable, or unallowable compensation costs. These deficiencies are summarized below:

- DI fails to develop a competitive objective in the overall value of its benefits package compared to other firms.
- DI fails to demonstrate the reasonableness of its compensation elements by comparing total actual compensation to the market by job class or grade level. In developing its rate structure it also uses the [REDACTED] percentile as a target, but fails to demonstrate the cost advantage of this [REDACTED] pay policy line.
- DI includes unallowable automobile expense paid on behalf of its executives in its incurred cost claim. We estimate the impact to the Government of this error is about \$270,000 annually.
- DI fails to adequately staff its HR organization, particularly in the areas of compensation. Consequently, basic preventative control activities such as segregation of duties are compromised.
- DI fails to perform any job analysis on a majority of its job positions, which, in turn, demonstrates it possesses inadequate job documentation describing job position duties and responsibilities.
- DI's process, including policies and procedures, associated with the communication of total rewards to employees requires improvement.
- In its incurred cost claim, DI erroneously includes compensation elements in executive compensation which are not included in the definition of compensation in FAR 31.205-6(p)(2) when comparing DI's actual executive compensation to "the

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benchmark compensation amount determined applicable for the contractor fiscal year by the Administrator, Office of Federal Procurement Policy (OFPP), under Section 39 of the OFPP Act (41 U.S.C. 435).”

- The contractor’s compensation package related to certain Dubai office employees is considered unreasonable. The contractor routinely pays [REDACTED] percent greater than the average salary for similar positions to certain employees in the Dubai area.

The contractor has developed a Corrective Action Plan in response to our audit. Once the implementation of all corrective actions is complete, a follow-up audit will be conducted and the results of our verification of the contractor’s corrective actions provided. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

DI maintains a decentralized Human Resources organization with main offices in [REDACTED], [REDACTED], [REDACTED], and [REDACTED]. Main Human Resource policy is delineated at the [REDACTED] Office in [REDACTED] which is directed by the [REDACTED] who reports directly to DI’s [REDACTED]. [REDACTED] HR is responsible for the establishment of overall direction for certain HR functions such as [REDACTED], [REDACTED], and [REDACTED]. Overall, the [REDACTED] HR office oversees the total rewards of approximately 8,500 employees.

Although the [REDACTED] office mandates HR policy, the [REDACTED] office is, essentially, autonomous in performing most Human Resource functions and in managing compensation and benefits for approximately 7,000 additional employees who are mostly located overseas. In addition, HR offices in various other locations enforce policy direction independently from [REDACTED] oversight.

### 7. Estimating System

During FY 2009, DI submitted approximately \$ [REDACTED] in price proposals to the Government. Based on these proposals, DI expects to obtain contract awards of about \$ [REDACTED]

As addressed in Audit Report No. 3181-2009D24010001 issued November 23, 2009, we determined that DI’s estimating system and related internal controls, policies, and procedures are inadequate. Test procedures were applied from June to September 2009 and included evaluation of contractor policies and procedures for its fiscal year ended March 31, 2009 as well as proposal submittals from April 2008 through July 2009. Our examination disclosed five significant deficiencies that are considered to be material weaknesses in DI’s estimating system that result in inaccurate, unreasonable, or unallowable proposal costs. These deficiencies are summarized below:

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- DI's estimating system is not compliant with the DFARS 215.407-5-70 definition of an acceptable estimating system. Furthermore, DI's cost estimates are in noncompliance with DFARS 2145.407-5-70, FAR 15 and FAR 31, as well as applicable Cost Accounting Standards (CAS). In many cases they are also in noncompliance with DI's own estimating policies and procedures. We found the following deficiencies during our survey of recent proposals:
  - Noncompliances with FAR 15.408, Table 15-2 requirements;
  - Lack of support for commercial price determinations;
  - Lack of subcontract proposals and adequate cost and/or price analyses;
  - Noncompliance with applicable CAS; and
  - Errors and omissions.
- DI does not have adequate policies, procedures, and operating instructions to ensure the preparation of sound and reasonable cost estimates. Specifically we found the Cost Estimating Manual lacks adequate operating instructions.
- DI does not provide adequate training to its estimating personnel on the policies and procedures contained in its Cost Estimating Manual or the requirements of FAR, DFARS, and CAS. DI also does not adequately document training content or attendees.
- DI does not adequately monitor and review the estimating system process on a continuous basis to confirm the management approved policies and procedures continue to generate proposal estimates compliant with applicable Government regulations and are consistently implemented as designed.
- DI' estimating system has not been subject to periodic audits by either internal or external audit groups.

We have recommended CACO disapproval of all portions of DI's estimating system in accordance with DFARS 215.407-5-70. We will perform a follow-up audit upon the contractor's full implementation of corrective actions. Pending completion of this follow-up audit, the scope of our examinations of forward pricing proposals and postaward audits will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

The [REDACTED] Department is responsible for preparing cost estimates used in individual price proposals, which includes competitive task orders under multiple contract modifications, change orders, and contract extensions. DI's detailed estimating policies and procedures are described in its "Cost Estimating Manual" and supplemented by various Standard Operating Procedures and Company Policy Statements. The most recent revision made to this manual was dated August 17, 2007.

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For the fiscal year ending March 29, 2008, DI has approximately [REDACTED] employees involved in the estimating process. DI's estimating system encompasses the following departments.

<u>Department</u>	<u>No. of Employees</u>
Business Development	[REDACTED]
Corporate Risk Mgmt	[REDACTED]
Human Resources	[REDACTED]
Finance (forward pricing)	[REDACTED]
Pricing	[REDACTED]
Contracts	[REDACTED]
Purchasing	[REDACTED]
Total Employees	[REDACTED]

In addition, input is received from DI's corporate office and other personnel working directly on a project.

8. Indirect and Other Direct Cost System

We have not recently performed a comprehensive review of DI's Indirect and Other Direct Cost System. The audit of this system has been deferred to 2011. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

The [REDACTED] group has ownership of the Incurred Cost Claim system. The process begins with the [REDACTED] department generating cost reports from [REDACTED] and [REDACTED]. The cost reports from [REDACTED] generated reports are manually entered into the Incurred Cost Claim file. The cost reports from [REDACTED] are generated in [REDACTED] format using [REDACTED]. They are then cut and pasted and/or linked to the Incurred Cost Claim Excel file.

[REDACTED] then reconciles the Incurred Cost Claim to the Trial balance of [REDACTED] and [REDACTED] systems. The Incurred Cost Claim file is then reviewed by [REDACTED] Management for accuracy and completeness. The claim is then sent via email to the [REDACTED] CFOs and [REDACTED] CFO. The [REDACTED] CFOs and [REDACTED] CFO then review the claim for accuracy and completeness. If the Claim is not approved, the required changes are sent via email and/or verbally communicated during a meeting to [REDACTED]. [REDACTED] will then be responsible for making the necessary changes. Once the changes are made, [REDACTED] Management will review the claim for accuracy and completeness and then resubmit it to the CFOs for review.

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Upon approval by the [REDACTED] CFOs and [REDACTED] CFO, the Incurred Cost Claim will be signed by the [REDACTED] CFO. A Certificate of Final Indirect Costs is sent to [REDACTED] who will incorporate the Certificate into the Final Incurred Cost Claim Packet. The final Incurred Cost Claim Packet will then be sent to the ACO for approval.

The ACO will then give the final incurred cost claim packet to DCAA to be audited. The findings of the DCAA audit will be reported to [REDACTED] [REDACTED] will then negotiate the findings with DCMA. In instances where changes are required, [REDACTED] will make the necessary changes and the entire process of review and submittal begins again. If no changes are required after negotiations, the final indirect rates are established.

### 9. Labor System

As addressed in Audit Report No. 03181-2007D13010001 issued March 18, 2009, we determined DI's labor system and related internal controls, policies, and procedures are inadequate. Test procedures were applied from April 4, 2008 through January 6, 2009. We identified six significant conditions which are summarized below:

- DI does not have adequate policies and procedures to provide reasonable assurance that labor transfers or adjustments of the labor distribution are documented and approved.
- DI does not have adequate procedures in place to verify that pay rates are authorized and accurate.
- DI has inadequate controls to provide reasonable assurance of the proper recording of labor costs to cost objectives. DI was unable to reconcile annual labor amounts for FYs 2005-2008.
- DI does not have adequate policies and procedures to provide control for the accumulation and recording of labor costs allocable to cost objectives for the purpose of determining proper cost reimbursement on Government contracts.
- DI does not have adequate policies and procedures for employees labor/timekeeping system training:
  - No programs stressing management's responsibility to provide for the accurate recording of labor hours;
  - No requirement for periodic refresher courses on proper timekeeping and labor charging practices;
  - No training on the importance of maintaining a segregation of duties for labor related activities to prevent the appearance of and opportunities for improprieties;
  - Seven out of 15 employees (47 percent) interviewed were not aware of the existence of the DOD hotline; and
  - Three out of ten (30 percent) floor check evaluations performed by DCAA during the FY 2007 and 2008 periods included suggestions for increased training of employees.

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- DI does not have adequate policies and procedures for monitoring the overall integrity of the labor/timekeeping system.

As a result of our control risk assessments, our audit effort will be increased for floor checks, incurred cost and other labor related audits. The contractor has developed a Corrective Action Plan in response to our audit. Once the implementation of all corrective actions is complete, a follow-up audit will be conducted and the results of our verification of the contractor's corrective actions provided. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

DI uses [REDACTED], [REDACTED], and [REDACTED] for processing labor. DI policy statement number [REDACTED] - [REDACTED] requires all hours worked must be recorded. Employees are paid for all hours worked except for [REDACTED] employees. Total labor dollars for CY 2008 were \$ [REDACTED] million in direct labor and \$ [REDACTED] million in indirect labor.

The DI [REDACTED] Department maintains the employee demographic files in [REDACTED]. These files include such information as [REDACTED]. HR also sets up the [REDACTED] to which the employee may charge. The employee demographic files are loaded into [REDACTED] via the [REDACTED] routine which performs edit checks. [REDACTED] is responsible for fixing all errors on the preprocessor Edit Report, and resubmitting the corrected demographic files. [REDACTED] then 'pumps' certain data from these demographic files into the [REDACTED] system.

The DI [REDACTED] department [REDACTED] is responsible for setting up project accounts based on information provided by the [REDACTED] accountants. Per DI Policy Statement (PS) [REDACTED] the new job set-up procedure includes establishment of [REDACTED] codes, including those for [REDACTED] and [REDACTED]. The [REDACTED] Administrator is responsible for activating the labor charge codes for specific employees.

Timesheet data can be entered into [REDACTED] electronically from [REDACTED]. The employee may also enter data into the [REDACTED]. Alternately, timesheet information may be entered into the [REDACTED] System or [REDACTED] system by a designated [REDACTED] clerk. The [REDACTED] supervisor is responsible for verifying and signing employee timesheets. The [REDACTED] Administrator is responsible for verifying the supervisor signature on completed timesheets.

After the timesheets have been entered into [REDACTED] the [REDACTED] Administrator is prompted to run a [REDACTED] program. This program automatically reconciles the [REDACTED] file to the [REDACTED] data and will generate an [REDACTED] report identifying time charges to an incorrect [REDACTED], [REDACTED] or [REDACTED] code. The Administrator then can suspend from further processing those [REDACTED] with errors until corrected. The [REDACTED] program can be rerun until a clean

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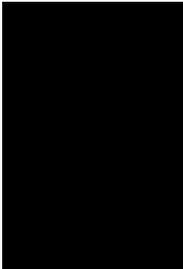
report is achieved; however, the program is manually initiated and is not required by to initiate the data export process.

The Administrator next initiates routine to create a file and Report. The file is converted to a file and uploaded to along with the Report. The Administrator also prompts the export of data from the system into the system to create a File and File. The supervisor balances total hours and dollars from the Report and Report to the File.

The Department uploads the File to and uses this data to calculate and create. Next sends the information back to for journal entry in.

DI policy number DI requires the identification and segregation of unallowable direct and indirect labor costs at DI employees are to report time expended on unallowable activities separately from time spent on allowable activities. DI's chart of accounts identifies the following unallowable and unbillable labor accounts (i.e. charge codes) to enable the identification of unallowable labor:

- Unallowable G&A Labor
- Unallowable G&A Premium Time
- Unallowable Overhead Labor
- Unallowable Overhead Premium Time
- Unbillable Direct Labor
- Unbillable Premium Time
- Unbillable Shift Pay



Starting in FY 2009, DI provides labor compliance training on-line or through live session. It also provides labor recording information through line management and through policies and procedures and training modules available on the.

DI HR monitor the Labor Accounting System at DI. performs various reconciliations on employee status, employee change notifications, and supervisory authorization of changes.

10. Budget and Planning System

On November 19, 2009, the FAO issued Audit Report No. 3181-2009D11020002 reporting DI's budget and planning system inadequate. DI does not prepare budgetary forecasts for the entire proposed period of contract performance. It prepares only a detailed operating budget and escalates its operating plan using a for or. Therefore, DI's revenue and allocation base projections do not take into account probable fluctuations in revenues (e.g. Government program recompetitions of option years, new

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programs, significant increases and/or decreases in work scope). DI's failure to prepare adequate budgets results in significant risk that forecasted rates may not be realistic, and may result in significant overstatement or understatement of proposed costs, as well as compromising the contractor's ability to accurately plan for and control costs during contract performance.

As a result, the FAO has recommended the CACO pursue a suspension of a percentage of progress payments or reimbursement of costs in accordance with DFARS 242.7502 until the contractor's budget and planning system controls are adequate to ensure the organization is able to initiate, authorize, record, process, report, and forecast costs in a manner that is consistent with applicable Government contract laws and regulations.

Pending contractor implementation of adequate corrective action and completion of a follow-up audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

The [REDACTED] has ownership of the budget and planning system. The process begins with an [REDACTED] operations planning meeting which is attended by the [REDACTED] CFO, the [REDACTED] CFOs, and [REDACTED]. At this meeting, two outputs are produced; an [REDACTED] Schedule and the [REDACTED] Budget Templates. The [REDACTED] pulls information from the [REDACTED] for the [REDACTED] Budget Templates. The [REDACTED] Budget Templates are based on [REDACTED] vs. [REDACTED] and include an [REDACTED]. The Schedule and Budget Templates are then sent to the various [REDACTED]. The [REDACTED] populate the budgets and send them back to [REDACTED] who saves the populated budgets to a secure network drive.

[REDACTED] then obtains Other [REDACTED] Data from [REDACTED]. They then manually enter staffing data into [REDACTED]. They also cut and paste data from the [REDACTED] Budget Files into the [REDACTED] and attach the [REDACTED] files to the [REDACTED]. The [REDACTED] processes the various staffing and budget data. [REDACTED] then repopulates the [REDACTED] Templates with the data from [REDACTED].

The New Budget Template is output into Excel and sent via email to the [REDACTED] for review for accuracy and completeness. If the budgets are not approved by the [REDACTED] they propose budget changes and submit them to [REDACTED]. They then input and save the changes to the [REDACTED] File to be reprocessed by the [REDACTED] Interface. [REDACTED] then generates a revised budget from the [REDACTED] Interface and submits the revision to the [REDACTED] for approval.

Upon approval, the [REDACTED] send the approved budget to [REDACTED]. They then freeze the approved budget in [REDACTED] File and save the email to [REDACTED].

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the secure network drive. [REDACTED] then generates a Budget Report from [REDACTED] which is sent, along with the revised budget, to [REDACTED] Management for approval. [REDACTED] Management Reviews the proposed budget for completeness and accuracy. Management consists of the DI [REDACTED] [REDACTED] and [REDACTED]. If Management determines the need for changes at this time, they submit the changes to [REDACTED] who inputs them into [REDACTED] and notifies the [REDACTED] of the changes. [REDACTED] Management changes can consist of, but are not limited to reduction/increase to cost and reduction/increase to headcount. [REDACTED] generates a Revised Budget Report from [REDACTED]s which it then sends, with the Revised Budget to [REDACTED] Management for approval.

Upon approval of the draft budget by [REDACTED] Management, they send the Revised Budget to [REDACTED] for finalization. The Final Approved Draft Budget is evidenced through verbal communication from [REDACTED] Management to [REDACTED]. [REDACTED] inputs the Approved Draft Budget and saves it to [REDACTED]. Access to the secured network drive is limited to the [REDACTED] and [REDACTED].

After [REDACTED] Management [REDACTED] review and approval of Final Draft Budget, the Forward Pricing Rate Proposal (FPRP) is submitted to the CACO and DCAA [REDACTED] prior to the new fiscal year. The Final Draft Budget is sent to the [REDACTED] for final approval (typically in [REDACTED]). If any changes are made to the budget, the FPRP is resubmitted to the CACO and DCAA. When approved by the [REDACTED] the Final Draft Budget becomes the Final Budget. After approval of the FPRP by the CACO and DCAA the FPRP becomes the Forward Pricing Rate Agreement.

### *Forward Pricing*

[REDACTED] requests the pool and base support [REDACTED] files from [REDACTED] Accounting and [REDACTED] and Accounting [REDACTED]. Additionally, they request the [REDACTED] Tables from [REDACTED] Pricing. [REDACTED] also runs the [REDACTED] Pool and [REDACTED] Reports from [REDACTED] and then saves these reports to a secure folder on the network.

[REDACTED] then updates the Rate Model in [REDACTED] with the [REDACTED] information. They then link the [REDACTED] Pool and [REDACTED] [REDACTED] and [REDACTED] and [REDACTED] Files to the Rate Model. This is then saved to the secure network. [REDACTED] Management reviews the Rate model for accuracy and completeness, and then sends the Rate Model to the [REDACTED] CFO and [REDACTED] CFOs for review.

The [REDACTED] CFO and [REDACTED] CFOs meet to obtain agreement and approval on the pools and bases used to calculate the Forward Pricing Rate's. If any of the bases are not

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approved, the [REDACTED] CFO and the [REDACTED] CFOs resubmit data to [REDACTED] and the submittal process starts over.

Upon approval of the bases, the [REDACTED] CFO and the [REDACTED] CFOs review the pools. If the pools are not approved the [REDACTED] CFO calls [REDACTED] and verbally communicates any changes required. [REDACTED] makes the requested changes to the Rate Model File which is then resubmitted to the [REDACTED] and [REDACTED] CFOs for approval.

Upon approval of the pools and bases, the [REDACTED] CFO calls [REDACTED] with approval, signs the Forward Pricing Rate Package, and sends it to [REDACTED]. [REDACTED] then generates a transmittal letter which, with the Forward Pricing Rate Package is scanned into a PDF file. This PDF file is then sent to the CACO for approval and for DCAA audit.

When CACO approval of the Forward Pricing Rate package is received by [REDACTED] [REDACTED] the rate package is used for Billing and the rates are considered Final Billing Rates.

### 11. Purchasing System

We have not recently performed a comprehensive review of DynCorp's Purchasing System. We are currently reviewing this system under Assignment No. 3181-2006D12030001, and expect to complete our review and issue the audit report this fiscal year.

However, certain internal control deficiencies relating to vouchers of Global Linguist Solutions (GLS) were identified during the examination of paid vouchers. Our examination of paid vouchers includes ensuring that subcontracts were properly awarded and that justifications related to determining the reasonableness of the subcontract cost or price are documented and ensuring that subcontracts are properly monitored and the correct indirect ceiling wrap rates, stipulated by subcontract agreements are used for billing.

We reported the following conditions in a flash report, Report No. 3181-2009D12030002, dated June 4, 2009.

- Failure to notify the Government upon award of auditable type subcontracts; and
- Lack of cost or price analysis of subcontractor proposals.

Additionally, we reported condition in a second flash report, Report No. 3181-2009D12030003, dated November 16, 2009.

- Failure to Conduct and Document Adequate Cost/Price Analysis Related to Sole Source Subcontract Modifications

Pending completion of the system audit and resolution of the internal control deficiencies identified in the flash reports cited above, the scope of our related examinations will continue to

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include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

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General information on audit matters is available at <http://www.dcaa.mil/>.

**RELEVANT DATES**

Contracting Officer Request – dated April 9, 2007, received April 9, 2007

**AUDIT REPORT AUTHORIZED BY:**

/s/ [REDACTED]  
/for/ [REDACTED]  
DCAA Branch Manager

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