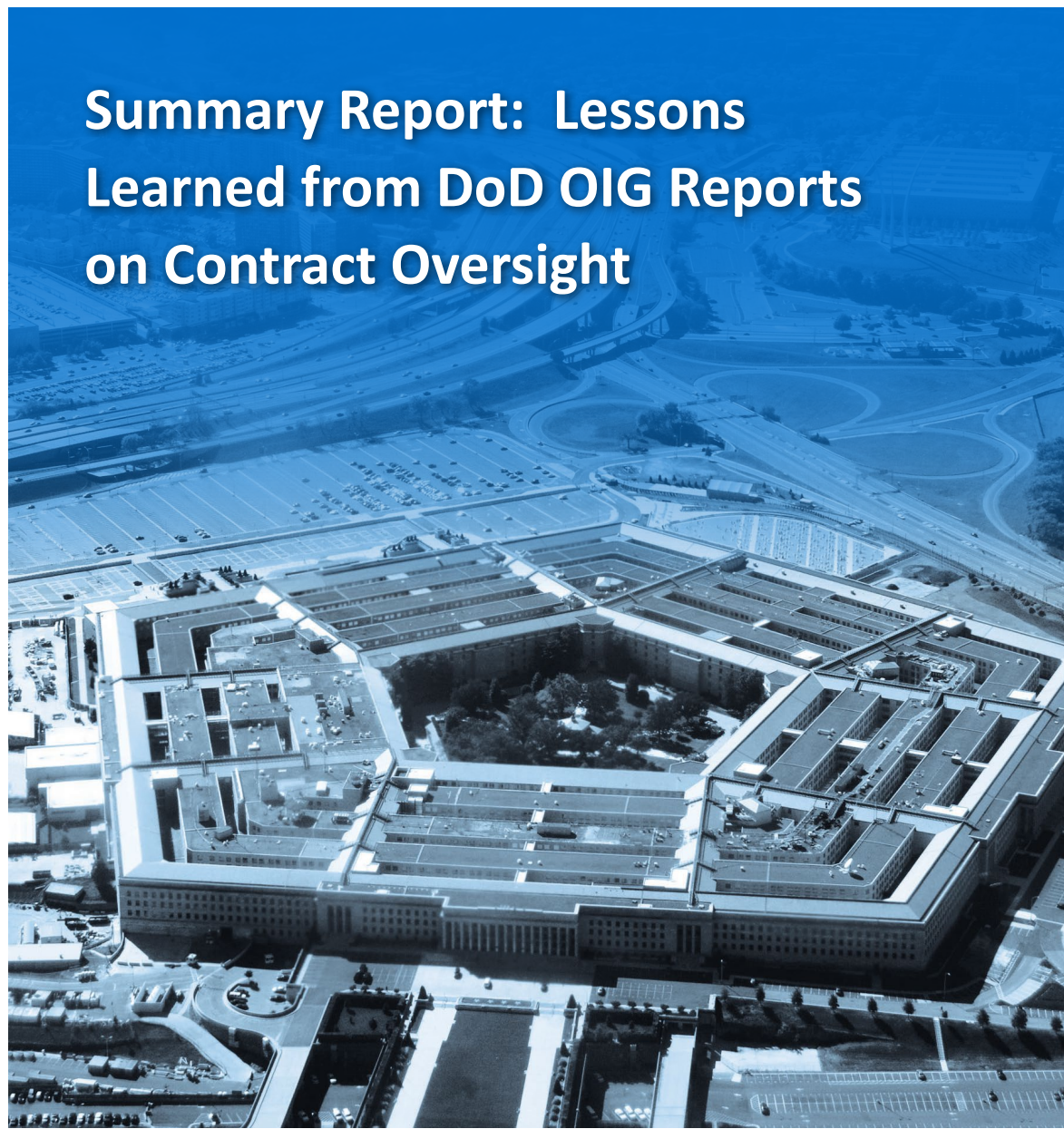




INSPECTOR GENERAL

U.S. Department of Defense

MAY 16, 2025



Summary Report: Lessons Learned from DoD OIG Reports on Contract Oversight

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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May 16, 2025

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT
UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Summary Report: Lessons Learned from DoD OIG Reports on Contract Oversight
(Report No. DODIG-2025-096)

This report is one in a series of reports that summarizes key themes and lessons learned from our body of oversight work in several key areas. We offer these summaries to provide helpful and timely information relevant to DoD priorities.

The DoD is the world's largest purchaser of goods and services. In FY 2024, the DoD obligated \$1.4 trillion to contractors for a variety of goods and services, including weapons systems, spare parts, fuel, maintenance, and healthcare. Robust contract oversight is crucial to ensuring contractors are held accountable for meeting the requirements of the contract, which is critically important to enhancing DoD lethality and readiness. We recognize that DoD contracting officials are in a unique environment due to unexpected contingencies and the complex nature of DoD acquisitions. However, implementing the recommendations in our reports across the DoD should assist DoD contracting officials in providing better contract oversight.

This summary report provides lessons learned related to contract oversight that were identified in 16 audit and evaluation reports that the DoD Office of Inspector General (OIG) issued from FY 2021 through March 2025. We analyzed these reports and identified systemic, recurring challenges related to the DoD's oversight of contract performance and identified four lessons learned that were applicable to these challenges. This summary report also provides references to DoD OIG work related to fair, reasonable, and defective pricing and explains how contract oversight and pricing differ.

If you have any questions, please contact me at [REDACTED].

A handwritten signature in black ink, reading "Carmen J. Malone", is positioned above the printed name.

Carmen J. Malone
Assistant Inspector General for Audit
Acquisition, Contracting, and Sustainment



Introduction

The DoD is the world's largest purchaser of goods and services. In FY 2024, the DoD obligated \$1.4 trillion to contractors for a variety of goods and services, including weapons systems, spare parts, fuel, maintenance, and health care. Adequate contract oversight is crucial to ensuring contractors are held accountable for meeting the requirements of the contract, which is critically important to enhancing DoD lethality and readiness.

Lessons Learned from Past DoD OIG Reports

Over the last 5 years, the DoD OIG has issued numerous audit and evaluation reports that have highlighted pervasive challenges in the DoD's contract oversight.¹ While the types of contracts, the goods and services being acquired, and the DoD Component responsible for overseeing the contracts have varied across our projects, we identified four lessons learned related to systemic challenges we identified in the DoD's contract oversight. These lessons learned are that the DoD should: (1) consistently maintain adequate contract files, (2) properly use undefinitized contract actions (UCAs), (3) sufficiently develop and execute quality assurance surveillance plans (QASPs), and (4) effectively review invoices.

Maintain Adequate Contract Files

The DoD must ensure contracting officials maintain adequate contract files. DoD contract files generally should include all supporting documents and records related to contract administration, which establishes an audit trail of decisions made throughout the contracting process, lessens the risk for improper payment of invoices, and provides past performance data for contracting officials to use during future contracting actions. In the reports we issued, we determined that the DoD did not:

- always maintain adequate contract files; or
- have adequate controls or training to ensure that contracting officials complied with criteria related to administration and management.

¹ See the Appendix for a list of DoD OIG audit and evaluation reports we reviewed related to DoD contract oversight (Table 1) and the associated lessons learned for the reports (Table 2). The Appendix also includes a list of our ongoing projects (Table 3). The lists are not comprehensive of all the DoD OIG audit and evaluations reports related to DoD contract oversight.

Properly Use Undefined Contract Actions

The DoD must ensure contracting officials properly use UCAs. A UCA is any contract action for which the contract terms, specifications, or price are not agreed upon before the contractor begins performance, allowing the DoD to receive goods and services immediately while the full terms and conditions are established. Under a UCA, the Government reimburses the contractor's allowable costs during the undefinitized period. As a result, the Government accepts nearly all associated risks until the contract is definitized. In the reports we issued, we determined that the DoD did not:

- always properly use UCAs by obtaining qualifying proposals and adjusting profits in accordance with Federal and DoD policies; or
- have adequate controls to ensure that contracting personnel definitized UCAs within the required time frames or use their authority to unilaterally definitize UCAs.

Sufficiently Develop and Execute QASPs

The DoD must ensure contracting officials sufficiently develop and execute QASPs. A QASP is prepared in conjunction with the performance work statement and should specify all work requiring surveillance and the method of surveillance. If developed and executed properly, a QASP ensures that systematic quality assurance methods validate that contractor quality control efforts are timely, effective, and deliver the results specified in the contract or task order. In the reports we issued, we determined that the DoD did not:

- always sufficiently develop and execute QASPs;
- always use contracting officials that were properly qualified or trained on their contract administration and management responsibilities; or
- consistently follow quality control procedures to enforce contract requirements, validate and ensure correction of maintenance deficiencies, or validate the accuracy of weapons and sensitive item inventories.

Effectively Review Invoices

The DoD must ensure contracting officials properly review invoices. Invoice reviews ensure payments to contractors are accurate and compliant with contract terms. Reviewing invoices involves verifying details, confirming goods and services were received, and ensuring the invoice aligns with contract modifications and accepted work. The review process can involve multiple stakeholders, including the contracting officer and contracting officer's representative (COR), depending on the contract type and complexity. In the reports we issued, we determined that the DoD:

- did not always properly review contract invoices;
- sometimes waived the COR review and approval of invoices; and
- inappropriately relied on the Defense Contract Audit Agency's closeout audits to determine whether invoices were properly paid.

Conclusion

As a result of inadequate contract oversight, the DoD did not have assurance that all contracts were properly awarded, administered, and monitored, which is necessary for ensuring the billions of dollars paid to DoD contractors consistently resulted in contractually compliant goods and services. Across all the reports listed in Table 1 in the Appendix, we have made 140 recommendations, many of which are related to the lessons learned in this report. Of these 140 recommendations, 70 are still open.

Although many of the previous reports and their recommendations were specific to the individual Components audited, all contracting personnel should be aware of these recommendations and take necessary steps to mitigate and avoid problems that could occur during the contract oversight process.

The DoD Also Faces Pricing Challenges

The Federal Acquisition Regulation requires contracting officers to evaluate the reasonableness of offered prices to help ensure the final agreed-to price is fair and reasonable before awarding a contract. Contracting officers typically perform their evaluation on the reasonableness of offered prices before awarding a contract. As a result, those activities are not discussed in this report as part of contract oversight, which occurs after contract award. However, in June 2024, the DoD OIG issued a special report that summarized our prior reports on contract pricing audits and other reviews.² The report discussed challenges DoD contracting officials face in obtaining goods and services at fair and reasonable prices and provided the status of prior DoD OIG recommendations related to price reasonableness.

In addition to audits and evaluations, the DoD OIG Defense Criminal Investigative Service (DCIS) initiated a working group, in coordination with the Department of Justice, to identify and investigate instances of defective pricing within DoD programs and operations. In a recent example, DCIS found that contract employees provided false and fraudulent information to the DoD that misled the DoD into awarding two contracts at inflated prices.³ These schemes to defraud caused the DoD to pay the contractor over \$111 million more than the contractor should have been paid on the contracts. DCIS has more than 600 open investigations related to procurement fraud, public corruption, and product substitution. DCIS agents also meet with DoD personnel and contractors to perform fraud awareness briefings, which include describing schemes related to procurement fraud, public corruption, product substitution, and defective pricing.

² Report No. DODIG-2024-092, "Summary of Prior DoD Office of Inspector General Contract Pricing Audits and Other Reviews," June 4, 2024.

³ Press Release, Department of Justice, "Raytheon Company to Pay Over \$950M in Connection with Defective Pricing, Foreign Bribery, and Export Control Schemes" (October 16, 2024).

Appendix

Reports Reviewed, Categorized by Lessons Learned and Ongoing Projects

We reviewed DoD OIG audit and evaluation reports from the previous 5 years to identify recurring challenges related to contract oversight. Table 1 lists the DoD OIG reports that we reviewed to prepare this summary report. Table 2 lists the applicable lessons learned for those reports. Table 3 lists the ongoing DoD OIG projects related to contract oversight. We are providing the tables as a resource for DoD management. The reports listed in each table contain additional details related to the lessons learned and past deficiencies identified by the DoD OIG. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

Table 1. List of DoD OIG Reports Reviewed for This Summary Report

| Report Number | Report Title | Issue Date |
|--------------------------------|--|--------------------|
| DODIG-2025-083 | Audit of DoD Lowest Price Technically Acceptable Contracts | April 10, 2025 |
| DODIG-2025-062 | Evaluation of Incurred Cost Audits Performed by Non-Federal Auditors for Compliance with Government Auditing Standards | January 21, 2025 |
| DODIG-2025-059 | Audit of the Army's Management of Undefined Contract Actions Awarded to Provide Ukraine Assistance | January 17, 2025 |
| DODIG-2024-123 | Audit of Air Force Defective Parts and Contractor Restitution | August 27, 2024 |
| DODIG-2024-108 | Management Advisory: Audit of Remote Maintenance and Distribution Cell-Ukraine Restructuring Contract Invoice Oversight | July 15, 2024 |
| DODIG-2024-083 | Audit of the Army's Management of APS-5 Equipment | May 20, 2024 |
| DODIG-2024-059 | Audit of DoD Afghanistan Contingency Contract Closeout | February 24, 2024 |
| DODIG-2024-055 | Audit of DoD Oversight of Cost-Plus-Award-Fee Contracts | February 14, 2024 |
| DODIG-2024-042 | Audit of Army Oversight of the Department of Defense Language Interpretation and Translation Enterprise II Contract | January 9, 2024 |
| DODIG-2023-117 | Audit of the Army's Oversight of Ukraine-Specific Logistics Civil Augmentation Program V Series in the U.S. European Command Area of Responsibility-Ukraine | September 18, 2023 |
| DODIG-2022-127 | Audit of DoD Other Transactions and the Use of Nontraditional Contractors and Resource Sharing | September 8, 2022 |
| DODIG-2022-102 | Audit of DoD Cooperative Agreements With Coronavirus Aid, Relief, and Economic Security Act Obligations | June 8, 2022 |
| DODIG-2021-077 | Audit of Other Transactions Awarded Through Consortia | April 21, 2021 |
| DODIG-2021-074 | Audit of U.S. Army Corps of Engineers' Use of Undefined Contract Actions for the Conversion of Alternative Care Sites in Response to the Coronavirus Disease-2019 Pandemic | April 7, 2021 |
| DODIG-2021-062 | Audit of Coalition Partner Reimbursement for Contracted Rotary Wing Air Transportation Services in Afghanistan | March 24, 2021 |
| DODIG-2021-033 | Audit of the DoD's Compliance with the Berry Amendment | December 16, 2020 |

Source: The DoD OIG.

Table 2. Lessons Learned

| Report Number | Maintain Adequate Contract Files | Properly Use UCAs | Effectively Review Invoices | Sufficiently Develop and Execute QASPs |
|----------------|----------------------------------|-------------------|-----------------------------|--|
| DODIG-2025-083 | X | | | |
| DODIG-2025-062 | | | X | X |
| DODIG-2025-059 | X | X | | |
| DODIG-2024-123 | X | | | |
| DODIG-2024-108 | | | X | X |
| DODIG-2024-083 | | | X | X |
| DODIG-2024-059 | X | | X | |
| DODIG-2024-055 | X | | | |
| DODIG-2024-042 | X | | | X |
| DODIG-2023-117 | | | | X |
| DODIG-2022-127 | X | | | |
| DODIG-2022-102 | | | | |
| DODIG-2021-077 | | | | |
| DODIG-2021-074 | | X | | |
| DODIG-2021-062 | X | | | |
| DODIG-2021-033 | X | | | |

Source: The DoD OIG.

Table 3. List of Ongoing DoD OIG Projects Related to Contract Oversight

| Project No. | Title | Project Announcement Date |
|-----------------------|--|---------------------------|
| D2024-D000AH-0077.000 | Audit of the Army's Management of Army Prepositioned Stock-4 Equipment | December 13, 2023 |
| D2024-D000AX-0149.000 | Audit of Navy Defective Parts and Contractor Restitution | July 11, 2024 |
| D2024-D000AT-0173.000 | Audit of the DoD's Oversight of Contractor Performance for the F-35 Joint Strike Fighter Sustainment Contracts | September 10, 2024 |
| D2024-D000AH-0030.000 | Audit of the Army's Management of Repairs to Bradley Fighting Vehicles to Meet United States Army Europe-Africa Mission Requirements | November 12, 2024 |

Source: The DoD OIG.

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**For more information about DoD OIG
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