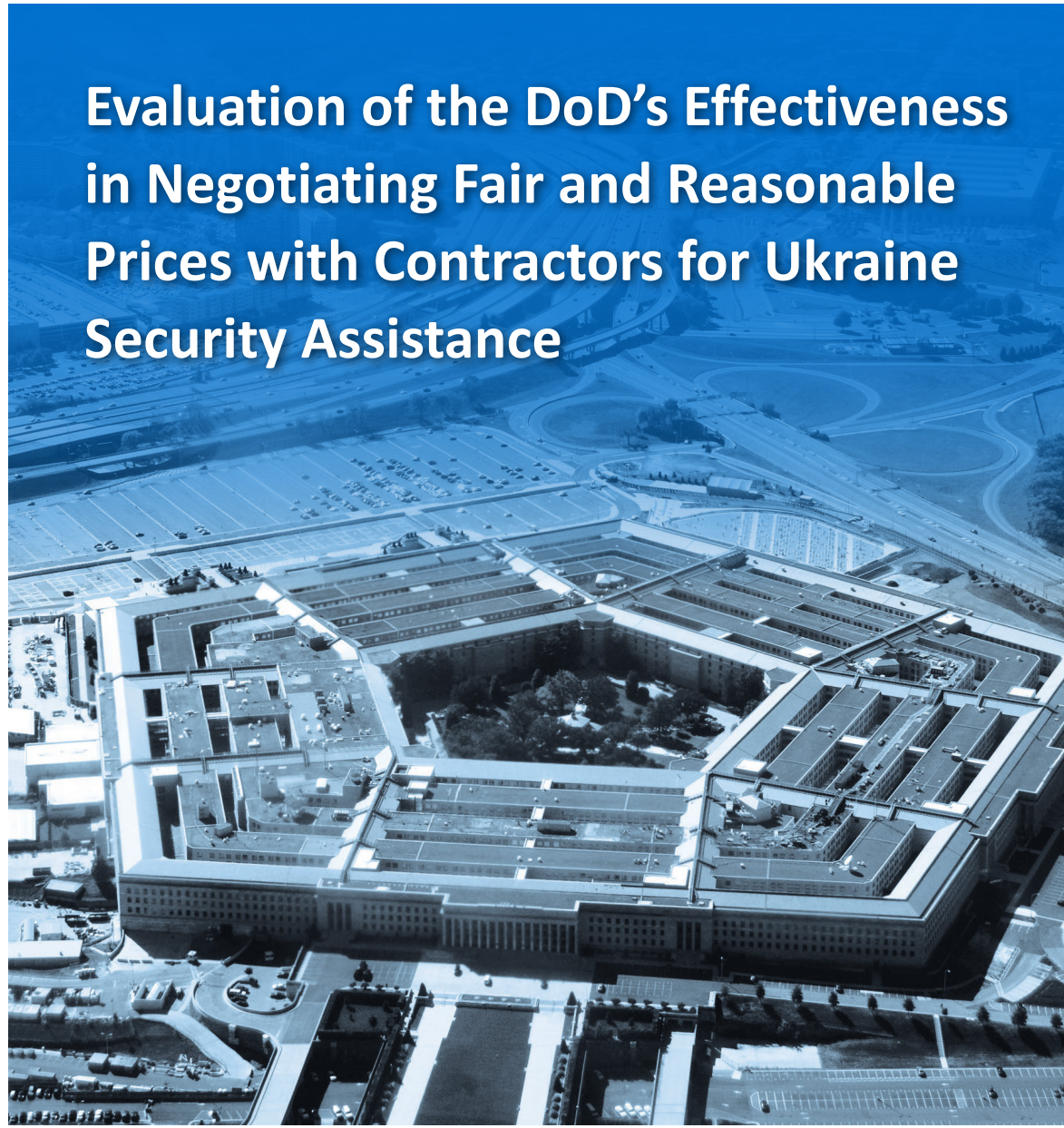




INSPECTOR GENERAL

U.S. Department of Defense

AUGUST 22, 2025



Evaluation of the DoD's Effectiveness in Negotiating Fair and Reasonable Prices with Contractors for Ukraine Security Assistance

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





Results in Brief

Evaluation of the DoD's Effectiveness in Negotiating Fair and Reasonable Prices with Contractors for Ukraine Security Assistance

August 22, 2025

Objective

The objective of this evaluation was to assess the effectiveness with which DoD contracting officers negotiated fair and reasonable prices with contractors for Ukraine security assistance.

Background

Between February 2022 and March 2024, the United States awarded 2,974 contract actions, valued at \$29.6 billion, for Ukraine security assistance. DoD contracting officers are responsible for negotiating and evaluating the reasonableness of offered prices to help ensure that the final agreed-to price is fair and reasonable. This involves obtaining and evaluating certified cost or pricing data (CCPD) and maintaining it in the contract file.

We selected a nonstatistical sample of 11 contract actions, valued at \$5.6 billion, from a population of 2,974 contract actions, valued at \$29.6 billion, to evaluate how effectively the contracting officers negotiated fair and reasonable prices.

Finding

We determined that DoD contracting officers negotiated fair and reasonable prices on Ukraine security assistance contracts for 5 (45 percent) of 11 contract actions, valued at \$2.6 billion. Specifically, the contracting officers obtained sufficient cost documentation to support their negotiations. However, for the remaining 6 (55 percent) of 11 contract actions, the DoD contracting officers did not maintain all of the CCPD as required.

Finding (cont'd)

This occurred because the DoD contracting officers did not consistently comply with the requirement to include in the contract files the CCPD they used to make a fair and reasonable determination. The DoD contracting officers provided various reasons for why the CCPD was missing, including because of data loss during a system transition, viewing the CCPD directly on the contractor's system, and contracting officer turnover. However, because the contracting officers did not maintain all of the CCPD in the contract file, we were unable to determine whether the fair and reasonable price determinations were accurate. As a result, the DoD contracting officers may have awarded \$847.6 million (15 percent) of \$5.6 billion in contract actions that are unsupported, potentially unallowable, and might have resulted in higher costs to the Government.

Recommendations

We recommend that the Army, Navy, and Air Force reevaluate the contract actions lacking CCPD discussed in this report and determine whether the price associated with Ukraine security assistance was fair and reasonable. In addition, we recommend that the Army, Navy, and Air Force issue a memorandum to its contracting officers reminding them to obtain and maintain as part of the contract file all CCPD they use to determine fair and reasonable pricing, in accordance with requirements.

Management Comments and Our Response

An Army official addressed one recommendation but did not address the specifics of the other recommendation; therefore, we request that they provide comments on the final report for the unresolved recommendation. Navy and Air Force officials addressed the specifics of the recommendations; therefore, the recommendations are resolved but will remain open.

Please see the Recommendations Table on the next page and the transmittal memorandum for instructions on how to provide management comments.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Deputy Assistant Secretary of the Army for Procurement	1.a	None	1.b
Deputy Assistant Secretary of the Navy for Procurement	None	2.a, 2.b	None
Deputy Assistant Secretary of the Air Force for Acquisition, Technology, and Logistics	None	3.a, 3.b	None

Please provide Management Comments by September 22, 2025.

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – The DoD OIG verified that the agreed upon corrective actions were implemented.



OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

August 22, 2025

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Evaluation of the DoD's Effectiveness in Negotiating Fair and Reasonable Prices
with Contractors for Ukraine Security Assistance (Report No. DODIG-2025-149)

This final report provides the results of the DoD Office of Inspector General's evaluation. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

This report contains one recommendation that is considered unresolved because the Deputy Assistant Secretary of the Army for Procurement did not fully address the recommendation. Therefore, the recommendation remains open. We will track this recommendation until management has agreed to take action that we determine to be sufficient to meet the intent of the recommendation and management officials submit adequate documentation showing that all agreed-on actions are complete.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, within 30 days please provide us your response concerning specific actions in process or alternative corrective actions proposed on the recommendations. Send your response to [REDACTED]

Additionally, this report contains one recommendation that is considered resolved and closed. During the evaluation, the Deputy Assistant Secretary of the Army for Procurement provided evidence of the actions taken to address the recommendation. We verified that these actions met the intent of the recommendation.

Finally, the official performing the duties of the Deputy Assistant Secretary of the Navy for Procurement, and the Director and Program Executive Officer of the Air Force Rapid Capabilities Office, performing the duties of the Assistant Secretary of the Air Force for Acquisition, Technology and Logistics, agreed to address four recommendations; therefore, those recommendations are resolved and open. We will close the recommendations when you provide us documentation showing that all agreed-on actions to implement the recommendations are complete. Therefore, within 90 days please provide us your response concerning specific actions in process or completed on the recommendations. Send your response to [REDACTED]

If you have any questions, please contact [REDACTED] We appreciate the cooperation and assistance received during the evaluation.

A handwritten signature in black ink, appearing to read 'Randolph R. Stone', with a stylized, cursive script.

Randolph R. Stone
Assistant Inspector General for Evaluations
Space, Intelligence, Engineering, and Oversight

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Introduction

Objective

The objective of this evaluation was to assess the effectiveness with which DoD contracting officers negotiated fair and reasonable prices with contractors for Ukraine security assistance.

Background

Since February 2022, the United States dramatically increased assistance to the Ukrainian Armed Forces through security cooperation and assistance programs. The DoD delivers this security assistance through two main authorities—Presidential Drawdown Authority and the Ukrainian Security Assistance Initiative. Under Presidential Drawdown Authority, the DoD delivers equipment to Ukraine through the drawdown of DoD stocks and then replenishes DoD stocks afterward. Under the Ukraine Security Assistance Initiative, the DoD procures defense articles directly from the defense industry. Both authorities provide Ukraine with a multitude of military capabilities and equipment.

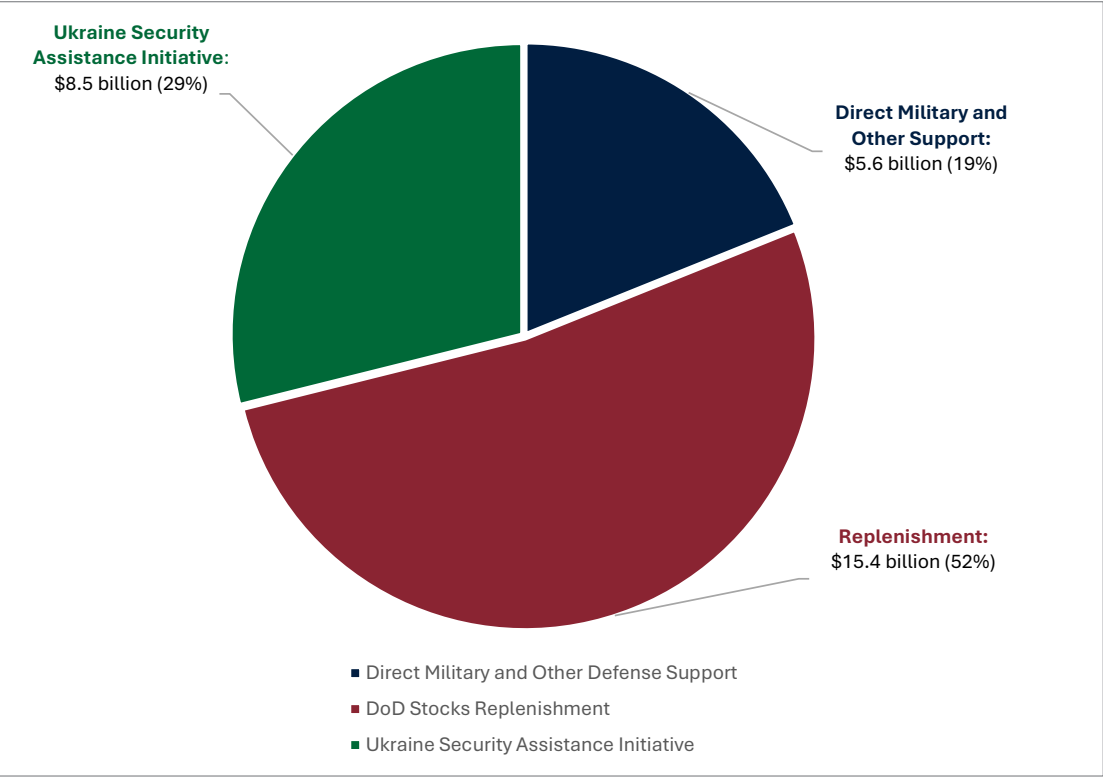
Contract Actions for Ukraine Security Assistance

The DoD's Advancing Analytics platform, Advana, includes procurement data related to obligations for Ukraine security assistance contract actions.¹ According to Advana, from February 2022 to March 2024, the United States awarded 2,974 contract actions, valued at \$29.6 billion, for Ukraine security assistance.² The figure shows the total DoD Ukraine security obligations for this period.

¹ An obligation is "a binding agreement that will result in outlays immediately or in the future." Defense Acquisition University Glossary, "Obligation," accessed April 18, 2025, <https://www.dau.edu/glossary/obligation>. A contract action includes a written action that results in the purchase of supplies, equipment, or services using appropriated dollars. FAR Part 4, "Administrative and Information Matters," Subpart 4.6, "Contract Reporting," Section 4.601, "Definitions."

² Data as of May 28, 2024.

Figure. Total DoD Obligations to Support Ukraine Security Assistance from February 2022 Through March 2024



Note: Total does not equal the actual dollar sum because of rounding.
Source: The DoD OIG, based on contract actions in support of Ukraine security assistance in Advana.

We selected a nonstatistical sample of 11 contract actions, valued at \$5.6 billion, from the population of 2,974 contract actions, valued at \$29.6 billion. We used the following rationale and criteria in selecting our sample. We selected high dollar value awards that exceeded \$100 million in cumulative obligations and a cross selection of firm-fixed-price, cost no-fee, fixed-price incentive, and cost-plus-fixed-fee contract types. Of the 11 contract actions in the sample, the Department of the Army awarded 8, the Department of the Navy awarded 1, and the Department of the Air Force awarded 2. Contracting offices from the Military Services negotiated the 11 contract actions in our sample. See Appendix A for a discussion of our scope and methodology.

For the 11 contract actions in our sample, the security assistance provided to the Ukrainian Armed Forces consisted of advanced rockets, Patriot air defense systems, armored vehicles, Stinger anti-aircraft missiles, Javelin anti-armor missiles, logistics analysis and management, small diameter bombs, and radar systems. See Appendix D for a list of the defense articles and total obligations for each contract action in our sample.

Federal Regulations for Negotiating Fair and Reasonable Prices

The Federal Acquisition Regulation (FAR) establishes cost and price negotiation policies and procedures, and the Defense Federal Acquisition Regulation Supplement (DFARS) provides supplemental requirements, policies, and procedures for negotiating the price of prime contracts and contract modifications specific to the DoD. The FAR and DFARS:

- provide contracting officers with a few ways to determine whether a price is fair and reasonable, including requiring that they obtain certified cost or pricing data (CCPD) for contracts at or more than \$2 million in most circumstances;³
- require the contracting officer to document how they determined that a price was fair and reasonable; and⁴
- require the contracting officer to maintain all of the documentation related to the determination in the contract file.⁵

Army and Air Force Federal Acquisition Regulation Supplements (AFARS and DAFFARS, respectively) have a few more specific requirements for negotiating and documenting fair and reasonable price determinations.⁶ The Navy supplemental guidance does not include additional guidance for negotiating and documenting fair and reasonable price determinations.

DoD Agencies Responsible for Supporting Contracting Officers with Determining Fair and Reasonable Price

The Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) are responsible for providing contracting officers with advice and assistance to negotiate fair and reasonable prices with contractors.

³ FAR Part 15, "Contracting by Negotiation," Subpart 15.4, "Contract Pricing," Section 15.404, "Proposal Analysis," February 23, 2024. DFARS Part 215, "Contracting by Negotiation," Subpart 215.4, "Contract Pricing," Section 215.403, "Obtaining Certified Cost or Pricing Data," Subsection 215.403-3, "Requiring Data Other than Certified Cost or Pricing Data," March 26, 2024. FAR Subsection 15.404-1, "Proposal Analysis Techniques," Paragraph 15.404-1(b), "Price Analysis," 15.404-1(b)(2). FAR Section 15.403, "Obtaining Certified Cost or Pricing Data."

⁴ FAR Section 15.405, "Price Negotiation." FAR Section 15.406, "Documentation," Subsection 15.406-3, "Documenting the Negotiation." DFARS Section 215.406, "Documentation," Subsection 215.406-3, "Documenting the Negotiation," January 22, 2024.

⁵ FAR Subpart 4.8, "Government Contract Files," Section 4.801, "General." FAR Section 4.802, "Contract Files." FAR Section 4.803, "Contents of Contract Files."

⁶ AFARS Part 5115, "Contracting by Negotiation," Subpart 5115.4, "Contract Pricing," Section 5115.406, "Documentation," Subsection 5115.406-3, "Documenting the Negotiation," March 17, 2025. AFARS Part 5104, "Administrative Matters," Subpart 5104.8, "Government Contract Files," Subsection 5104.802, "Contract Files," March 17, 2025. Department of the Air Force Federal Acquisition Regulation Supplements (DAFFARS) Part 5315, "Contracting by Negotiation," Subpart 5315.4, "Contract Pricing," Section 5315.405, "Price Negotiation," July 7, 2023. DAFFARS Section 5315.406-3, "Documenting the Negotiation."

The DCAA provides audit and financial advisory services to the DoD and other Federal entities responsible for acquisition and contract administration. The DCAA operates in accordance with DoD Directive 5105.36, “Defense Contract Audit Agency,” and functions under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD.⁷ The DCAA’s primary function is to conduct contract audits and provide related financial advisory services. Contract audits are independent, professional reviews of financial claims made by defense contractors, and the DCAA helps determine whether contract costs are allowable, allocable, and reasonable. In addition, the DCAA performs audits of contract proposals so the DCAA can identify questioned costs to assist the contracting officer with negotiating a fair and reasonable price. For 5 of 11 contract actions in our sample, the DCAA performed a contract proposal audit.

In addition, the DCMA works directly with defense contractors to ensure that the contractors meet all performance requirements and deliver supplies and services on time and at the projected cost. The DCMA operates in accordance with DoD Directive 5105.64, “Defense Contract Management Agency,” and functions under the authority, direction, and control of the Under Secretary of Defense for Acquisition and Sustainment.⁸ The DCMA provides contract and negotiation support on behalf of DoD agencies, including providing subject matter experts to review the price of contract proposals. The DCMA subject matter experts can assess the material, labor, and subcontractor proposed costs and provide recommendations to the contracting officer to assist with negotiating a fair and reasonable price. For 5 of 11 contract actions in our sample, DCMA subject matter experts assisted the contracting officers with establishing a fair and reasonable price.

⁷ DoD Directive 5105.36, “Defense Contract Audit Agency,” December 1, 2021.

⁸ DoD Directive 5105.64, “Defense Contract Management Agency,” January 10, 2013 (Incorporating Change 1, March 2, 2023).

Finding

For 6 of 11 DoD Contract Actions, DoD Contracting Officers Did Not Maintain Documentation to Support Fair and Reasonable Price Determinations

We reviewed 11 contract actions, valued at \$5.6 billion, for Ukraine security assistance. DoD contracting officers negotiated fair and reasonable prices on Ukraine security assistance contracts for 5 (45 percent) of 11 contract actions, valued at \$2.6 billion. Specifically, the contracting officers obtained sufficient cost documentation to support their negotiations. However, for the remaining 6 (55 percent) of 11 contract actions, valued at \$3 billion, the DoD contracting officers did not have all CCPD, as required in FAR section 15.403.

- For 1 of 11 contract actions, the DoD contracting officers were unable to identify and provide the documentation they used to support their price analysis for \$633.1 million (11 percent) of \$5.6 billion in Ukraine security assistance.
- For 5 of 11 contract actions, the DoD contracting officers did not maintain CCPD for some cost elements of the awards to support their determinations of fair and reasonable prices for \$214.5 million (4 percent) of \$5.6 billion in Ukraine security assistance.

This occurred because DoD contracting officers did not consistently comply with the FAR requirements that: (1) the CCPD used to make a fair and reasonable pricing determination must be maintained and (2) all supporting documentation must be included in the contract file. Because the contracting officers did not maintain all of the CCPD in the contract file, we were unable to determine whether the fair and reasonable prices were accurate. As a result, the DoD contracting officers may have awarded \$847.6 million (15 percent) of \$5.6 billion in contract actions that were unsupported, potentially unallowable, and may have resulted in higher costs to the Government.

For 5 of 11 Contract Actions, DoD Contracting Officers Obtained Sufficient Documentation to Support Fair and Reasonable Prices

We reviewed 11 contract actions for Ukraine security assistance, valued at \$5.6 billion.⁹ DoD contracting officers negotiated fair and reasonable prices on Ukraine security assistance contracts for 5 (45 percent) of 11 contract actions,

⁹ The value of the contract actions is based on data from Advana.

valued at \$2.6 billion. Specifically, the contracting officers obtained sufficient cost documentation to support their negotiations, in accordance with FAR section 15.403. See Appendix D for a list of all contract actions we reviewed.

For example, in two Army contract actions ending in 20-C-0023, valued at \$1.9 billion, the Army contracting officer performed a cost analysis using historical cost data and a quantity curve model to develop the target cost objective. The Army contracting officer negotiated a final price slightly higher than the target cost objective. We obtained and evaluated the contracting officer's rationale to substantiate the increase from the target cost objective to the negotiated price. The rationale the Army contracting officer provided substantiated the increase in costs. In addition, we obtained the Independent Government Cost Estimate (IGCE) to validate the negotiated price.¹⁰ The Army contracting officer negotiated a final price lower than the IGCE.

In another example, for one Air Force contract action ending in 23-F-B023, valued at \$220.6 million, the Air Force contracting officer performed a cost analysis using an IGCE and field pricing assistance from the DCAA to develop the target cost objective. The contracting officer did not maintain record of the IGCE. However, the contracting officer used the DCAA questioned costs to drive down the contractor's proposed costs for the material cost element.¹¹ Ultimately, the contracting officer negotiated a final price lower than the target cost objective for the contract action.

For 6 of 11 Contract Actions, DoD Contracting Officers Did Not Include Support for All Certified Cost or Pricing Data in the Contract File

For the remaining 6 (55 percent) of 11 contract actions, valued at \$3 billion, the DoD contracting officers did not have support for all cost and pricing data as part of the contract file, in accordance with FAR 15.403. Specifically, for 1 (9 percent) of 11 contract actions, DoD contracting officers were unable to identify and provide documentation they used to support the price analysis for \$633.1 million (11 percent) of \$5.6 billion in Ukraine security assistance. In addition, for 5 (36 percent) of

¹⁰ The IGCE is an independent evaluation to develop the probable cost being acquired to help determine the reasonableness of the contractor's proposed costs.

¹¹ Questioned costs are a result of an alleged violation of law, attributed to a lack of documentation, or part of an audit finding or determination that the costs are unnecessary or unreasonable. DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports," April 15, 2015, requires DoD contracting officers to disposition the questioned cost included in the DCAA audit reports.

11 contract actions, DoD contracting officers did not maintain CCPD for some cost elements of the award to support their determination that contract actions valued at \$214.5 million (4 percent) of \$5.6 billion were fair and reasonably priced.

For example, for Army contract action ending in 19-C-0076, valued at \$633.1 million, the contract file did not contain the cost analysis and CCPD to support the fair and reasonable price determination. FAR section 15.403-4 requires contracting officers to obtain CCPD and perform a cost analysis on contracts valued at or above \$2 million. In addition, AFARS subsection 5115.406-3 requires Army contracting officers to document the results of the negotiation in sufficient detail to establish all significant aspects of the contract action. When we requested that the Army contracting officer provide the procurement action and cost analysis that support the determination of fair and reasonable pricing, the contracting officer provided a spreadsheet of Ukraine funding for FY 2022 through FY 2024. However, the spreadsheet did not support the fair and reasonable price determination for the Ukraine security assistance valued at \$633.1 million. When we asked the Army contracting officer for the support for the fair and reasonable determination, they were unable to provide it because the original contracting officer who negotiated the pricing was no longer assigned to the contract. Therefore, we could not determine whether the Army contracting officer obtained sufficient documentation to make a determination of fair and reasonable pricing.

In another example, for Army contract action ending in 23-C-0024, valued at \$1.1 billion, we determined that the contract file did not contain CCPD to support the determination of fair and reasonable pricing for \$94.1 million. FAR section 4.803 states that the data and information related to the contracting officer's determination of a fair and reasonable price should be included in the contract file. In addition, AFARS section 5104.802, "Contract Files," requires the Army contracting officer to store documents necessary to manage the acquisition process. When we requested the CCPD, the Army contracting officer stated that, in the case of large, complex proposals, contractors commonly provide the contracting officer with access to the contractor's business systems that store CCPD. The contracting officer stated that during the negotiation for fair and reasonable prices, they viewed the CCPD on the contractor's business system. According to the Army contracting officer, viewing CCPD from the contractor's business system meets the requirement for contractors to submit required CCPD. However, viewing the CCPD does not satisfy the FAR requirement to include the data and information related to the determination. In addition, without copies of the CCPD, we were unable to verify the documentation the Army contracting officer used to support the determination on fair and reasonable pricing.

The DoD Contracting Officers Did Not Maintain All Certified Cost or Pricing Data as Part of the Contract File

For 6 (55 percent) of 11 contract actions, we determined that the DoD contracting officers did not have support for all CCPD as part of the contract file. This occurred because the DoD contracting officers did not consistently comply with the FAR.

FAR section 4.801 states that the head of each office performing contracting or contract administration must maintain records of all contractual actions. The documentation in the files must contain a complete history of the transaction. FAR section 4.803 states that contract files should contain data and information related to the contracting officer's determination of a fair and reasonable price. Additionally, FAR subsection 15.403-4 states that when CCPD is required, the contracting officer must use the CCPD to determine that the price is fair and reasonable.

For three (50 percent) of six contract actions, \$113.2 million (13 percent) of \$847.6 million, for which the DoD contracting officers did not maintain all supporting CCPD in the contract file, the contracting officers were unable to locate the support elsewhere when we requested the documentation. When we asked, the contracting officers provided various reasons as to why the CCPD was not available.

- For Army contract action ending in 23-C-0024, with \$94.1 million in unsupported costs, the Army contracting officer stated that contractors typically grant them access to business systems containing the CCPD when dealing with large proposals. In addition, the Army contracting officer stated that they reviewed the CCPD directly on the contractor's business system while negotiating fair and reasonable pricing.
- For Navy contract action ending in 24-F-0116, with \$18.4 million in unsupported costs, the Navy contracting officer stated that the command's leadership decided to delete older files during transition to a different system. The decision resulted in a loss of data.
- For Air Force contract action ending in 23-F-0470, with \$0.7 million in unsupported costs, the Air Force contracting officer stated that they were aware of the requirement to maintain CCPD; however, they were unable to explain why the CCPD for the unsupported costs was not maintained as part of the contract file.

For the remaining three of the six contract actions, \$734.4 million (87 percent) of \$847.6 million, according to the current contracting officers, the original contracting officers that negotiated the contract price were no longer assigned to the contracts. As a result, the current contracting officers were unable to provide the CCPD.

The DoD contracting officers were able to provide CCPD for \$4.8 billion (85 percent) of \$5.6 billion in costs. Therefore, we determined that the contracting officers were aware of the requirement to obtain the CCPD to make a fair and reasonable pricing determination; however, they did not consistently maintain all supporting documentation in the contract file. Because 6 of 11 contract files we evaluated did not include all CCPD, we were unable to determine whether the DoD contracting officer negotiated fair and reasonable prices on Ukraine security assistance. As a result, the DoD contracting officers may have awarded \$847.6 million (15 percent) of \$5.6 billion in contract actions that was potentially unallowable and might have resulted in higher costs to the Government. For details on potential monetary benefits, see Appendix B, which includes a list of the contract actions with unsupported costs by Component.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Deputy Assistant Secretary of the Army for Procurement:

- a. Reevaluate the contract actions with up to \$828.5 million in unsupported costs, identified in Appendix B, to determine whether the price associated with the Ukraine security assistance was fair and reasonable and, based on the results of the review, take the necessary steps to recover any awarded cost that is more than the fair and reasonable price.**

Deputy Assistant Secretary of the Army for Procurement Comments

The Acting Deputy Assistant Secretary of the Army for Procurement disagreed and stated that supporting documentation was included in the paperless contract file (PCF) cabinet. Specifically, for the contract ending in 19-C-0076, the PCF cabinet contains a certification of the cost or pricing data for the initial award and a revised certificate for the cost or pricing data. For the contract ending in 22-F-0131, the Acting Deputy stated that the price negotiation memorandum (PNM) included in the PCF cabinet states that the contracting officer relied on the CCPD submitted by the contractor. The PNM also states that the Government received a Certificate of Current Cost or Pricing Data from the contractor. Finally, for contract action ending in 23-C-0024, the Acting Deputy stated that: (1) the PCF cabinet for the contract modification PZ0001 includes a certification of the cost or pricing data, (2) the PNM states that the contracting officer reviewed costs in accordance with FAR

requirements, and (3) the fair and reasonable determination includes field pricing assistance provided by the DCAA. The Acting Deputy also stated that the contracting officer reevaluated the cost analysis and was able to substantiate the fair and reasonable determination.

Our Response

Comments from the Acting Deputy partially addressed the recommendation; therefore, the recommendation is unresolved. FAR section 4.801 requires contract files to contain sufficient documentation to provide a complete history of the acquisition transaction to support the actions taken, facilitate reviews, and for other purposes. Also, FAR section 4.803 states that the contract files should contain data and information related to the contracting officer's determination of fair and reasonable price.

For the contract ending in 19-C-0076, we met with the currently assigned contracting officer and the external audit liaison for Army Contracting Command-Redstone Arsenal to discuss the CCPD needed to substantiate the unsupported costs for Ukraine security assistance. The documentation the contracting officer provided did not support the fair and reasonable price determination for the Ukraine security assistance costs. For the contract ending in 22-F-0131, even though the PNM and Certificate of CCPD are included in the PCF, they are not the underlying cost data the contracting officer used to determine the fair and reasonable price. As a result, we continue to question the \$633.1 million in unsupported cost for contract action ending in 19-C-0076 and the \$101.3 million in unsupported costs for contract action ending in 22-F-0131.

For the contract ending in 23-C-0024, the Acting Deputy stated that the Army reevaluated the cost analysis and can substantiate the fair and reasonable price determination. In addition, at their request, we provided an Army representative with a breakdown of our determination of the unsupported costs on July 9, 2025. We will close the recommendation as it relates to the contract ending in 23-C-0024 when we verify that the Army adequately documented its reevaluation of the unsupported costs.

Within 30 days of this report, we request that the Acting Deputy provide additional comments addressing their plan to reevaluate contract actions ending in 19-C-0076 and 22-F-0131 and determine that the fair and reasonable price is adequately supported. We will close the recommendation when we verify that the Army performed a reevaluation to determine that the fair and reasonable price is adequately supported.

- b. Issue a memorandum to remind Army contracting officers of Federal Acquisition Regulation subpart 4.803, “Contents of Contract Files,” and Federal Acquisition Regulation subpart 15.403, “Obtaining Certified Cost or Pricing Data,” requirements to obtain all certified cost or pricing data to determine fair and reasonable prices and ensure that all data used to determine fair and reasonable prices are maintained as part of the contract file.**

Deputy Assistant Secretary of the Army for Procurement Comments

The Acting Deputy Assistant Secretary of the Army for Procurement agreed and stated that a policy alert was issued to the Army Contracting Enterprise on proper documentation of fair and reasonable determinations. The Acting Deputy stated that the action was implemented on June 18, 2025.

Our Response

Comments from the Acting Deputy Assistant Secretary of the Army for Procurement addressed the recommendation; therefore, the recommendation is resolved and closed. The Acting Deputy provided a copy of the June 18, 2025 policy alert that was distributed to the Army Contracting Enterprise. The policy alert reminded Army contracting personnel of the requirements to obtain and maintain adequate documentation to support all fair and reasonable determinations made when CCPD is required. The policy alert also stated that the determination must be fully traceable back to the supporting documentation and that this documentation must be available in the PCF cabinet.

Recommendation 2

We recommend that the Deputy Assistant Secretary of the Navy for Procurement:

- a. Reevaluate the contract actions with up to \$18.4 million in unsupported costs identified in the contract actions, listed in Appendix B, to determine whether the price associated with the Ukraine security assistance was fair and reasonable and, based on the results of the review, take the necessary steps to recover any awarded cost that is more than the fair and reasonable price.**

Deputy Assistant Secretary of the Navy for Procurement Comments

The official performing the duties of the Deputy Assistant Secretary of the Navy for Procurement disagreed, stating that the Navy offered the DoD Office of Inspector General (DoD OIG) the opportunity to review the hard-copy contract file in person to help resolve the report's findings. The Executive Director also stated that the contents of the contract files, including the pre-award and post-award business clearance, document the data that was relied on to arrive at their determination of fair and reasonable price, as well as the extent to which it was relied on. The Executive Director stated that the Navy reevaluated the DoD OIG finding and determined that none of unsupported costs the DoD OIG reported were unsupported. Finally, the Executive Director disagreed that the transition to a different filing system led to a loss of data because the official hard-copy contract file was always retained.

Our Response

Because the comments from the Executive Director reevaluated the contract action, the Executive Director's comments partially addressed the recommendation; therefore, the recommendation is resolved and will remain open. Although the Executive Director stated that the pre-award and post-award business clearance memorandum documents the data that the contracting officer relied on to determine the fair and reasonable price, the pre-award and post-award business clearance memorandum is not the actual data and information used to determine the fair and reasonable price.

We acknowledge that the Navy offered us the option to view the hard-copy contract files in person. However, when we requested that the documentation be sent electronically, the contracting officer was unable to provide the documents. Specifically, the contracting officer stated that, "during the Command's transition from a shared drive to SharePoint, management decision was made to delete older files, and we lost a large portion of our data." The contracting officer further explained that the "DCMA may have the data in their files." As a result, we concluded that the Navy was no longer in possession of the data and information used to determine the fair and reasonable price. As of the date of this report, we have not received copies of the CCPD or the actual data and information used to determine the fair and reasonable price. Therefore, we continue to question \$18.4 million in unsupported cost for the contract action ending in 24-F-0116. We will close the recommendation when we verify that the Navy performed a reevaluation and determined that the fair and reasonable price was adequately supported.

- b. Issue a memorandum to remind Navy contracting officers of Federal Acquisition Regulation subpart 4.803, “Contents of Contract Files,” and Federal Acquisition Regulation subpart 15.403, “Obtaining Certified Cost or Pricing Data,” requirements to obtain all certified cost or pricing data to determine fair and reasonable prices and ensure that all data used to determine fair and reasonable prices are maintained as part of the contract file.**

Deputy Assistant Secretary of the Navy for Procurement Comments

The Executive Director performing the duties of the Deputy Assistant Secretary of the Navy for Procurement agreed and stated that the Navy will issue a policy push to remind the contracting workforce of the importance of obtaining cost and pricing data and maintaining it in the contract file.

Our Response

Comments from the Executive Director addressed the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when we verify that the Navy issued the policy push to remind the contracting workforce of the importance of obtaining cost and pricing data and maintaining it in the contract file.

Recommendation 3

We recommend that the Deputy Assistant Secretary of the Air Force for Acquisition, Technology, and Logistics:

- a. Reevaluate the contract action with up to \$0.7 million in unsupported costs, identified in Appendix B, to determine whether the price associated with the Ukraine security assistance was fair and reasonable and, based on the results of the review, take the necessary steps to recover any awarded cost that is more than the fair and reasonable price.**

Deputy Assistant Secretary of the Air Force for Acquisition, Technology, and Logistics Comments

The Director and Program Executive Officer of the Air Force Rapid Capabilities Office, performing the duties of the Assistant Secretary of the Air Force for Acquisition, Technology, and Logistics, agreed and stated the Office of the Assistant Secretary of the Air Force for Acquisition (SAF/AQ) reevaluated the contract action and determined the price associated with the Ukraine security assistance to be fair and reasonable.

Our Response

Comments from the Director and Program Executive Officer addressed the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when we verify that the Air Force performed a reevaluation and determined that the fair and reasonable price was adequately supported.

- b. Issue a memorandum to remind Air Force contracting officers of Federal Acquisition Regulation subpart 4.803, "Contents of Contract Files," and Federal Acquisition Regulation subpart 15.403, "Obtaining Certified Cost or Pricing Data," requirements to obtain all certified cost or pricing data to determine fair and reasonable prices and ensure that all data used to determine fair and reasonable prices are maintained as part of the contract file.**

Deputy Assistant Secretary of the Air Force for Acquisition, Technology, and Logistics Comments

The Director and Program Executive Officer of the Air Force Rapid Capabilities Office, performing the duties of the Assistant Secretary of the Air Force for Acquisition, agreed and stated that SAF/AQ will remind contracting officers to obtain CCPD to determine fair and reasonable prices and that all CCPD must be maintained as part of the contract file. The Director and Program Executive Officer stated that the recommendation will be implemented by December 31, 2025.

Our Response

Comments from the Director and Program Executive Officer addressed the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when we verify that the SAF/AQ reminded the contracting officers to obtain CCPD to determine fair and reasonable prices and that all CCPD must be maintained as part of the contract file.

Appendix A

Scope and Methodology

We conducted this evaluation from May 2024 through June 2025 in accordance with the “Quality Standards for Inspection and Evaluation,” published in December 2020 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we adequately plan the evaluation to ensure that objectives are met and that we perform the evaluation to obtain sufficient, competent, and relevant evidence to support the findings, conclusions, and recommendations. We believe that the evidence we obtained was sufficient, competent, and relevant to lead a reasonable person to sustain the findings, conclusions, and recommendations.

We evaluated how effectively DoD contracting officers negotiated fair and reasonable prices with contractors for Ukraine security assistance. We selected a nonstatistical sample of 11 contract actions, valued at \$5.6 billion, from a population of 2,974 contract actions, valued at \$29.6 billion.

We used the following rationale and criteria in selecting our sample. We selected high dollar value awards that exceeded \$100 million in cumulative obligations and a cross selection of firm-fixed-price, cost no-fee, fixed-price incentive, and cost-plus-fixed-fee contract types. Of the 11 contract actions in the sample, the Department of the Army awarded 8, the Department of the Navy awarded 1, and the Department of the Air Force awarded 2. Contracting offices from the Military Services negotiated the 11 contract actions in our sample. We reviewed the 11 contract actions to assess how effectively DoD contracting officers negotiated fair and reasonable prices with contractors for Ukraine security assistance.

Our results are based on a nonstatistical sampling methodology and, therefore, cannot be used to calculate estimates (projections) for the population.

To accomplish our evaluation objective, we:

- reviewed applicable laws, acquisition regulations, and DoD policy;
- obtained and evaluated DoD Component policies and procedures related to examining a contractor’s price proposal, including addressing the DCAA findings and recommendations or other field pricing support received;
- determined if the contracting officer adequately documented the rationale for disagreeing with the DCAA or DCMA findings and recommendations; and
- reviewed documentation to evaluate whether the contracting officer complied with applicable FAR and other Federal acquisition regulations and DoD and Component policies during the negotiation of the contract price.

We reviewed Federal regulations and DoD directives, instructions, and manuals. We also reviewed DoD agency policies established by the Army, Navy, and Air Force. The following criteria were most relevant to our evaluation and conclusions.

- FAR Part 1.7, “Determination and Findings”
- FAR Part 4, “Administrative and Information Matters”
- FAR Part 15, “Contracting by Negotiation”
- FAR Part 31, “Contract Cost Principles and Procedures”
- DFARS Part 215, “Contracting by Negotiation”
- DFARS Part 231, “Contract Cost Principles and Procedures,” Subpart 231.2, “Contracts with Commercial Organizations”
- DoD Directive 5105.36, “Defense Contract Audit Agency,” December 1, 2021
- DoD Directive 5105.64, “Defense Contract Management Agency,” January 10, 2013
- DoD Instruction 7640.02, “Policy for Follow-up on Contract Audit Reports,” April 15, 2015
- DoD, “Memorandum for Temporary Authorizations for Covered Contracts Related to Ukraine,” September 18, 2023 (Deviation No. 2023-00003, Revision 2)
- DoD, “Memorandum for Temporary Authorizations for Covered Contracts Related to Ukraine, Taiwan, and Israel,” January 8, 2024 (Deviation No. 2024-00005)
- AFARS Part 5104, “Administrative Matters”
- AFARS Part 5115, “Contracting by Negotiation,” Subpart 5115.4, “Contract Pricing”
- AFARS Part 5116, “Types of Contracts”
- Army Contracting Command (ACC), “Redstone Arsenal Acquisition Instruction Supplement,” September 2023
- ACC, “Rock Island Acquisition Instruction Supplement,” April 2023
- ACC, “Aberdeen Proving Group Acquisition Instruction”
- ACC, “Detroit Arsenal Acquisition Supplement,” April 2023
- Navy Marine Corps Acquisition Regulation Supplement Part 5215, “Contracting by Negotiation,” Subpart 5215.4, “Contract Pricing,” Section 5215.406, “Documentation,” Subsection 5215.406-1, “Pre-Negotiation Objectives”
- Navy Marine Corps Acquisition Regulation Supplement Part 5231, “Contract Cost Principles and Procedures,” Subpart 5231.2, “Contracts with Commercial Organizations,” Section 5231.205, “Selected Costs”
- Department of the Air Force Federal Acquisition Regulation Supplement Part 5315, “Contracting by Negotiation,” Subpart 5315.4, “Contract Pricing”

Use of Computer-Processed Data

Based on our initial data assessment, we used computer-processed data, including a report of contract actions awarded in support of Ukraine security assistance from the Under Secretary of Defense (Comptroller)/Chief Financial Officer. We tested the validity of the report by observing the report production through Advana. We also compared the Advana data to source documents included in DoD Component contract files. As a result, we determined that the computer-processed data was reliable and would be used during the evaluation.

Appendix B

Summary of Potential Monetary Benefits

The Inspector General Act of 1978, as amended, defines questioned costs as costs that we question because of an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds. An unsupported cost is a subcategory of questioned costs and a cost that the DoD OIG questioned because the DoD OIG found that, at the time of the evaluation, the cost was not supported by adequate documentation.

We reviewed applicable criteria, including Federal laws and regulations; DoD directives, instructions, manuals, and policy memorandums; and DoD Component policies. We reviewed the supporting contract file documentation and evaluated the adequacy of the fair and reasonable price determinations by comparing the cost elements or total contract action price to the supporting documentation. We questioned a cost when the DoD contracting officer was unable to provide adequate documentation to support the fairness and reasonableness of negotiated costs. Table 1 lists the contract actions with unsupported costs by recommendation.

Table 1. Summary of Potential Monetary Benefits (by Recommendation)

Recommendation	Contract Number*	DoD Component	Reporting Type for Ukraine Assistance	Number of Contract Actions	Type of Benefit	Amount of Benefit (in millions)
1.a, 1.b	19C0076	Army / ACC / Redstone Arsenal	Stock Replenishment	1	Questioned Costs (Unsupported Costs)	\$633.1
1.a, 1.b	22F0131	Army / ACC / Redstone Arsenal	Stock Replenishment	2	Questioned Costs (Unsupported Costs)	101.3
1.a, 1.b	23C0024	Army/ ACC / Detroit Arsenal	Stock Replenishment	1	Questioned Costs (Unsupported Costs)	94.1
2.a, 2.b	24F0116	Navy / Naval Air Systems Command	Ukraine Security Assistance Initiative	1	Questioned Costs (Unsupported Costs)	18.4
3.a, 3.b	23F4070	Air Force / 645 Aeronautical Systems Group	Ukraine Security Assistance Initiative	1	Questioned Costs (Unsupported Costs)	0.7
Total:				6		\$847.6

* The last seven digits of the contract number represent the fiscal year it was issued or awarded, the instrument code, and the sequential number for specific type of solicitation or contract.

Source: The DoD OIG, based on data from the DoD Components.

Appendix C

Prior Coverage

We identified one Government Accountability Office (GAO) report and nine DoD OIG reports issued in the last 7 years that relate to obtaining fair and reasonable prices for DoD goods and services. However, none of the reports directly addressed the fair and reasonable pricing of Ukraine security assistance. Although these prior reports generally deal with fair and reasonable pricing of DoD contracts, our evaluation is the first to address fair and reasonable pricing specific to Ukraine security assistance contracts.

DoD OIG

Report No. DoDIG-2025-059, “Audit of the Army’s Management of Unfinalized Contract Actions Awarded to Provide Ukraine Assistance,” January 17, 2025

The DoD OIG found that Army contracting personnel did not manage 18 of 24 unfinalized contract actions (UCA) in accordance with Federal and DoD policies. Although Army contracting personnel generally awarded the UCAs and obligated the funds in accordance with Federal and DoD policies, Army contracting personnel did not obtain qualifying proposals by the dates required in the finalization scheduled for 12 of 18 UCAs and did not finalize UCAs within 180 days of receiving qualifying proposals from contractors for 12 of 18 UCAs.

The DoD OIG recommended that the Army implement procedures to establish realistic qualifying proposal due dates in finalization schedules, implement policy to standardize how contracting personnel establish the beginning of the 180-day period to finalize, and implement procedures to document contracting officers’ consideration of reduced-cost risk during the unfinalized period.

Report No. DODIG-2024-078, “Audit of the Army’s Award of Noncompetitive Contracts in Support of Ukraine,” May 8, 2024

The DoD OIG found that Army contracting officials generally awarded contracts in accordance with the Federal, DoD, and Army regulations and policies. However, the 13 contracts that were reviewed contained administrative errors. Specifically, contracting officers did not: (1) include previous justification for consideration for follow-on acquisitions for 3 contracts, (2) specify the authority for the noncompetitive award in the contract for 4 contracts, (3) publicize the justification for the noncompetitive award for 11 contracts, or (4) obtain

justification approval before issuing a solicitation or awarding a contract for 3 contracts. These administrative errors did not affect the validity of the noncompetitive contracts.

The DoD OIG recommended that the ACC Commanding General develop and implement a quality control tool and train contracting officials to ensure proper documentation and adherence to Federal, DoD, and Army regulations when awarding noncompetitive contracts.

Report No. DODIG-2022-104, "Audit of Sole-Source Depot Maintenance Contracts," July 21, 2022

The DoD OIG found that DoD contract officials may not have negotiated fair and reasonable pricing for 21 of 34 sole-source and single-source depot maintenance contracts.

The DoD OIG recommended that the Air Force Sustainment Center and the ACC Commanding General require contracting officers to: (1) request uncertified cost or pricing data that is sufficient to support the contracting officers' determination of fair and reasonable prices when negotiating sole-source commercial contracts and (2) document the response to the request and report refusals to the Principal Director of Defense Pricing and Contracting (DPC), in accordance with the Defense acquisition regulations.

Report No. DODIG-2022-043, "Audit of the Business Model for TransDigm Group Inc. and Its Impact on Department of Defense Spare Parts Pricing," December 13, 2021

The DoD OIG found that contracting officers used price analysis methods authorized by the FAR and DFARS, including historical price comparisons and competition, to determine whether prices were fair and reasonable. However, in a sole-source, market-based pricing environment without competition, the aforementioned methods were not effective for identifying excessive pricing.

The DoD OIG recommended that the DPC Principal Director review the DFARS and DFARS procedures, guidance, and information to determine whether current policy adequately addressed when cost analysis should be required. The DoD OIG also recommended that the DPC Principal Director work with the Director of the Defense Logistics Agency (DLA) to identify alternative contracting strategies for procuring items from companies more efficiently and at a lower price.

Report No. DODIG-2021-056, "Evaluation of Defense Contract Management Agency Actions Taken on Defense Contract Audit Agency Report Findings Involving Two of the Largest Department of Defense Contractors," February 26, 2021

The DoD OIG found that, for 14 of 30 audit reports reviewed, the DCMA contracting officers did not comply with the FAR when they settled the DCAA audit reports. Specifically, contracting officers did not: (1) adequately document or explain why they disagreed with \$97 million in questioned costs from eight DCAA incurred cost audit reports or (2) comply with the FAR when they addressed six DCAA Cost Accounting Standard audit reports.

The DoD OIG recommended that the DCMA: (1) review the contracting officers' decisions to not uphold the \$97 million of questioned costs, determine whether costs are unallowable, and take steps to settle all findings; (2) remind the DCMA contracting officers of the requirement to issue a notice of Cost Accounting Standards noncompliance within 15 days; and (3) provide training to supervisors of contracting officers on the level of review necessary to ensure contracting officers complete actions appropriately when they address the DCAA audit reports.

Report No. DODIG-2020-095, "Audit of Purchases of Ammonium Perchlorate Through Subcontracts with a Single Department of Defense-Approved Domestic Supplier," July 9, 2020

The DoD OIG found that two contractors followed procedures and properly determined that Ammonium Perchlorate Grade 1 (AP1) was a commercial item. Additionally, the Army and Navy contracting officers appropriately relied on the subcontractors' price analysis to determine that the proposed prices were fair and reasonable in accordance with the FAR.

The DoD OIG recommended that the Deputy Assistant Secretary of Defense for Industrial Policy monitor and assess the AP1 industrial base to identify cost-effective AP1 alternative sources and assist the Military Services and Defense agencies on strategies related to AP1 pricing, capability, and capacity. The DoD OIG also recommended that the executive directors of the Service contracting commands require all contracting officers who negotiate a prime production contract for weapon systems request uncategorized cost data and perform a costs analysis of AP1 subcontract price unless adequate pricing information is available to establish that the price for AP1 is fair and reasonable.

Report No. DODIG-2020-060, "Audit of Contract Costs for Hurricane Recovery Efforts at Navy Installations," February 12, 2020

The DoD OIG found that the Navy did not control costs when awarding and administering task orders. Specifically, contracting officials did not: (1) include detailed and specific contract requirements in the task order; (2) request, obtain, or analyze a cost proposal from the prime contractor; (3) document their determination of fair and reasonable prices; or (4) limit the task order to the initial recovery efforts.

The DoD OIG recommended that the Commander of the Naval Facilities Engineering Command ask the DCAA to conduct an audit to review the allowability of all costs and profit paid and request a refund for identified excess payment.

Report No. DODIG-2019-060, "Review of Parts Purchased from TransDigm Group, Inc.," February 25, 2019

The DoD OIG found that a contractor earned excess profit on 46 of 47 parts the DLA and Army purchased. The FAR and DFARS allow historical price analysis, competition, and cost analysis to determine whether a price is reasonable. However, historical price analysis and competition were unreliable in identifying if the contractor charged excess profit.

The DoD OIG recommended that the DLA and Army request a refund of excess profit for purchases that the DoD OIG identified as containing excess profit. The DoD OIG also recommended the DPC Principal Director take the following actions.

- Examine the U.S.C., FAR, and DFARS to determine changes needed in the acquisition process of parts produced or provided from a sole-source
- Immediately revise and update the November 7, 2007 policy reform memorandum, "Access to Records with Exclusive Distributors/Dealers"
- Establish a team of functional experts to analyze data reported as a result of the revised and updated memorandum

Report No. DODIG-2019-019, "Evaluation of Contracting Officer Actions on Contractor Pricing Proposals Deemed Inadequate by the Defense Contract Audit Agency," November 14, 2018

The DoD OIG found that contracting officers took appropriate actions on contractor price proposal inadequacies, but they did not adequately document their actions. For example, an Army contracting official increased a contract cost ceiling by \$92 million without adequate justification, and negotiation memorandums were not appropriately distributed or filed.

The DoD OIG recommended that the DPC Principal Director develop and issue guidance requiring contracting officers to document the actions they take to address contractor price proposal inadequacies.

GAO

Report No. GAO-21-388, "Spare Parts Contracts—Collecting Additional Information Could Help DoD Address Delays in Obtaining Costs or Pricing Data," May 26, 2021

The GAO found that, from FY 2015 to FY 2019, the DLA obtained data other than certified data for 77 of 136 sole-source spare part contracts it awarded. The DLA also waived the requirement to obtain CCPD in two cases, citing the exceptional need for the spare parts. The DLA obtained CCPD for the remaining sole-source contracts. The DoD does not collect data on the extent that delays in obtaining cost or pricing data affect the time that it takes to award contracts. DLA, Air Force, and Navy contracting officers said that although they were able to determine if prices were reasonable, delays in obtaining contractors' cost or pricing data contributed to the length of time needed to award 7 of 10 sole-source spare part contracts the GAO reviewed.

The GAO recommended that the Under Secretary of Defense for Acquisition and Sustainment identify options for collecting additional information on the extent and nature of delays that contracting officers experience in obtaining cost or pricing data for sole-source spare part contracts.

Appendix D

Summary of Contract Actions We Selected

This appendix identifies the 11 contract actions in our nonstatistical sample, by DoD Component, along with the type of defense article, total obligations, and contract actions with unsupported costs.

Table 2. Summary of the 11 Contract Actions We Selected (by DoD Component)

Count	Contract Number ¹	Number of Contract Actions	Defense Articles	Total Obligations (in Millions)	Contract Actions with Unsupported Costs
Army					
1	20C0023	2	PAC-3 MSE Missiles	\$1,857.2	
2	23C0024	1	Armored Multi-Purpose Vehicles	1,121.3	X
3	19C0076	1	Javelin Weapon Systems	633.1	X
4	22F0131	2	Stinger Missiles	726.4	X
5	23F0001	1	AN/TPQ-53 Radar Systems	266.6	
			Distributed Digital Receiver Exciter Retrofit Kits		
6	12G0028	1	Logistics Analysis and Management Functions	234.9	
Navy					
7	24F0116	1	Advanced Precision Kill Weapon Systems	221.7	X

Table 2. Summary of the 11 Contract Actions We Selected (by DoD Component) (cont'd)

Count	Contract Number ¹	Number of Contract Actions	Defense Articles	Total Obligations (in Millions)	Contract Actions with Unsupported Costs
Air Force					
8	23F4070	1	Unmanned Aerial Systems	326.2	X
9	23FB023	1	Small Diameter Bombs	220.6	
Total:		11		\$5,608²	

¹ Last seven digits of the contract number, which represent the fiscal year issued or awarded, instrument code, and sequential number for specific type of solicitation or contract.

² Totals do not equal the actual sum because of rounding.

Source: The DoD OIG, based on data from the DoD Components.

Management Comments

Deputy Assistant Secretary of the Army for Procurement



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

SAAL-ZP

30 June 2025

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR
GENERAL, 4800 MARK CENTER DRIVE, ALEXANDRIA VA 22350-1500

SUBJECT: Draft Report - Evaluation of the DoD's Effectiveness in Negotiating Fair and
Reasonable Prices with Contractors for Ukraine Security Assistance, Project No.
D2024-DEV0SO-0116.000

1. In accordance with Army Regulation 36-2, Audit Services in the Department of the Army,
Section II, paragraph 1-8 (f.), I am providing the Official Army Position for recommendations
1.a. and 1.b. The enclosed responses to the subject draft report are from the Office of the
Deputy Assistant Secretary of the Army (Procurement) (ODASA(P)), and the Army
Contracting Command (ACC) centers.

2. The point of contact for this action is [REDACTED]

BUEHLER.KIMBERL
Y.DIANE [REDACTED]
Digitally signed by
BUEHLER.KIMBERLY.DIANE
Date: 2025.06.30 09:29:59 -04'00'

Kimberly D. Buehler
Acting Deputy Assistant Secretary
of the Army (Procurement)

- Encls
- 1. ODASA(P)
 - 2. ACC-Detroit
 - 3. ACC-Redstone

Deputy Assistant Secretary of the Army for Procurement (cont'd)



DEPARTMENT OF THE ARMY
UNITED STATES ARMY CONTRACTING COMMAND-DETROIT ARSENAL
6501 EAST 11 MILE ROAD
DETROIT ARSENAL, MICHIGAN 48397-5000

CCTA

24 June 2025

MEMORANDUM FOR Procurement Support Directorate, Office of the Deputy Assistant Secretary of the Army (Procurement)

SUBJECT: Informal Procurement Contracting Officer (PCO) response to Procurement Support Directorate, Office of the Deputy Assistant Secretary of the Army (Procurement) for Department of Defense Inspector General (DODIG) DRAFT Report: Project No. D2024-DEV0SO-0116.000 Evaluation of DoD's Effectiveness in Negotiating Fair and Reasonable Prices with Contractors for Ukraine Security Assistance, Recommendation 1.a.

Recommendation 1a: Reevaluate the contract actions with up to \$828.5 million in unsupported costs, identified in Appendix B, to determine whether the price associated with the Ukraine security assistance was fair and reasonable and, based on the results of the review, take the necessary steps to recover any awarded cost that is more than the fair and reasonable price.

Army Response: Non-Concur with Comments

Army Contracting Command (ACC) - Detroit Arsenal (DTA) disagrees with recommendation 1a for the following reasons:

For contract number [REDACTED]: The paperless contract file (PCF) cabinet has a certificate for certified cost or pricing data dated 14 August 2023 in PCF cabinet [REDACTED] and it is located in section I.C.03 in Certificate of Current Cost or Pricing Data folder. As noted in the Price Negotiation Memorandum (PNM) that is included in PCF, the USG reviewed costs in accordance with FAR 15.404-1(c) Cost analysis. Fair and reasonable determination also included review and incorporation of field pricing assistance from DCAA. To date, the DOD IG auditors have not provided the details behind the potential \$94.1M of questioned costs on ACC-DTA contract [REDACTED] identified in Appendix B, however the PCO requested the details verbally during the 2 June 2025 exit conference in which the auditor verbally confirmed he would send. The PCO since followed up in writing directly with the auditor and still has not received. Additionally, ACC-DTA did re-review the cost analysis and is able to substantiate the fair and reasonableness determination, therefore based on this no additional action is required.

Estimated Date of Completion / Implementation: Not applicable

The point of contact for this action is [REDACTED] / ACC-DTA External Audit Liaison and she can be reached at [REDACTED]

6/24/2025

X

Deputy Assistant Secretary of the Army for Procurement (cont'd)



DEPARTMENT OF THE ARMY
U.S. ARMY CONTRACTING COMMAND – REDSTONE ARSENAL
BUILDING 5303, MARTIN ROAD
REDSTONE ARSENAL, ALABAMA 35898-5000

CCAM-715g

17 June 2025

MEMORANDUM FOR Procurement Support Directorate, Office of the Deputy Assistant Secretary of the Army (Procurement)

SUBJECT: Informal Senior Contracting Official (SCO) response to Procurement Support Directorate, Office of the Deputy Assistant Secretary of the Army (Procurement) for Department of Defense Inspector General (DODIG) DRAFT Report: Project No. D2024-DEV0SO-0116.000 Evaluation of DoD's Effectiveness in Negotiating Fair and Reasonable Prices with Contractors for Ukraine Security Assistance, Recommendation 1.a.

Recommendation 1a: Reevaluate the contract actions with up to \$828.5 million in unsupported costs, identified in Appendix B, to determine whether the price associated with the Ukraine security assistance was fair and reasonable and, based on the results of the review, take the necessary steps to recover any awarded cost that is more than the fair and reasonable price.

Army Response: Non-Concur with Comments

Army Contracting Command (ACC)- Redstone Arsenal (RSA) disagrees with recommendation 1a for the following reasons:

For contract number [REDACTED]: The paperless contract file (PCF) cabinet has a certificate for certified cost or pricing data for the initial award dated 16 August 2019 in the PCF cabinet and it is located in section I.B.01. Additionally, a revised certificate for certified cost or pricing data was dated 9 July 2020 which covered FY21-23 Synergy Rate Javelin Production. The contract in question is a "C" stand-alone contract. The certified cost and pricing data previously mentioned were applicable when the change was made to reallocate missiles to support of the Ukraine Security mission. The proposed corrective action is for the Evaluation Team to review the documentation provided on 22 May 2025 with the Pre-draft report in order to review the certified cost and pricing data in question. On page 16 of the Price Negotiation Memorandum (PNM) in section VI – PNM: Determination of Price Reasonableness item one (1) the Contracting Officer stated she fully relied upon the cost and pricing data submitted by the vendor to negotiate the fair and reasonable price.

For the actions associated with order [REDACTED] it was awarded as an undefinitized order under [REDACTED] which was signed on 25 May 2022. Both actions were executed with a not to exceed amount of roughly \$625M. [REDACTED] states a qualified proposal was received for the 1000 Series CLINS and definitized on 3 January 2022. The qualified proposal for the 2000 Series CLINS was

Deputy Assistant Secretary of the Army for Procurement (cont'd)

received and definitized on 29 May 2023. On page 59 of the PNM for contract numbers [REDACTED] it states in item three (3) that the Contracting Officer relied on the certified cost or pricing data submitted by the contractor. It also states the Government received a Certificate of Current Cost or Pricing Data (TAB I) from the contractor on 22 November 2023 which is in PCF in section 1.C.04 – PNM TABS in TAB I. The document was loaded in PCF on 4 December 2023.

At the time of award there were no additional monetary benefits to be obtained from either action.

It is my belief that there were miscommunications between the Evaluation Team and the Contracting Officers regarding supporting documentation. To mitigate this from occurring in the future please ensure the External Audit Liaison is the central point of contact for our Center and ensure all communication with ACC-RSA Contracting Officers for Evaluations and Audits go through the ACC designated office of coordination.

Estimated Date of Completion / Implementation: Not applicable

The point of contact for this action is the External Audits Team and they can be reached at USARMY Redstone Arsenal ACC Mailbox External Audits e-mail:

[REDACTED]

[REDACTED]

Deputy Assistant Secretary of the Army
for Procurement (cont'd)

Office of the Deputy Assistant Secretary of the Army (Procurement)

Response to Department of Defense Inspector General (DODIG)
DRAFT Report: Project No. D2024-DEV0SO-0116.000
Evaluation of DoD's Effectiveness in Negotiating Fair and Reasonable Prices
with Contractors for Ukraine Security Assistance

Recommendation 1.b.: Issue a memorandum to remind Army contracting officers of Federal Acquisition Regulation subpart 4.803, "Contents of Contract Files," and Federal Acquisition Regulation subpart 15.403, "Obtaining Certified Cost or Pricing Data," requirements to obtain all certified cost or pricing data to determine fair and reasonable prices and ensure that all data used to determine fair and reasonable prices are maintained as part of the contract file.

Army Response: Concur.

Estimated Date of Completion: FY25 Policy Alert (3.) "#25-069: Proper Documentation of Fair and Reasonable Determinations" issued to the Army Contracting Enterprise on June 18, 2025.

Deputy Assistant Secretary of the Navy for Procurement



DEPARTMENT OF THE NAVY
OFFICER OF THE ASSISTANT SECRETARY OF THE NAVY
(RESEARCH DEVELOPMENT & ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: DEPARTMENT OF THE NAVY RESPONSE TO DRAFT REPORT D2024-DEVOSO-0116.00

[REDACTED]

Please find below the Department of the Navy's (DONs) comments on the subject draft report.

Overarching Comments:

The objective of this audit is to assess the effectiveness with which DoD contracting officers negotiated fair and reasonable prices with contractors for Ukraine security assistance. The Department of Navy (DON) action reviewed in this audit was not specifically negotiated to support Ukraine security assistance. Rather, the action that established the pricing was awarded years in advance of the conflict in the Ukraine beginning. Accordingly, the DON asserts that while material ordered off of this vehicle was in support of Ukraine security assistance, it should not be within the scope of this audit. Additionally, the DON contracting office responsible for this action offered the DoDIG team the option to view, at the DoDIG team's convenience, the official hard copy contract file on site to support the DoDIG team's requests for information and associated review. The DoDIG audit team did not take advantage of that offer. The DON believes a DoDIG review of the hard copy contract file would have resolved significant disconnects between the DoDIG findings and the DON position related to these findings. The contents of the contract files, including the pre-award and post-award business clearance, document the data that was relied upon by the contracting officer to arrive at their determination of fair and reasonable as well the extent to which it was relied upon. Therefore, the DON does not believe it is accurate to characterize the DON action ending in 24-F-0116 to have \$18.4M of unsupported costs.

Specific Comments:

Page 8: "For Navy contract action ending in 24-F-0116, with \$18.4 million in unsupported costs, the Navy contracting officer stated that the Command's leadership decided to delete older files during transition to a different system. The decision resulted in a loss of data."

Notwithstanding the general disagreement with the concept of the unsupported costs described above, the DON does not concur with the magnitude identified nor the idea that a transition to a different filing system led to a loss of data. The transition led to a loss of readily available data on an electronic basis. The official hard copy contract file was always retained and it was offered to be shared on site with the DoDIG team. This offer was not acted upon. Recommend updating this sentence to remove any reference to the transition of systems and lost data.

Deputy Assistant Secretary of the Navy for Procurement (cont'd)

SUBJECT: DEPARTMENT OF THE NAVY RESPONSE TO DRAFT REPORT D2024-DEV0SO-0116.00

Page 9/10: The recommendations to the DON are to 1) Reevaluate the unsupported costs and take the necessary steps to recover any cost that was more than fair and reasonable, and 2) to issue a memorandum to remind contracting officers of the requirements to obtain certified cost and pricing data as required and to ensure all data used to determine fair and reasonable prices is maintained as part of the contract file.

While the DON disagrees with the DoDIG findings that \$18.4M of the action in question were unsupported, a review of the DoDIG findings was performed and it was determined that none of the costs deemed unsupported by DoDIG were in fact unsupported. The detailed review and rationale is provided here for reference. Accordingly, there is no further action to recover any cost and it is requested that corrective action 2.a be closed.

While the DON disagrees that data was not satisfactorily obtained or maintained in the contract file, given the importance of the issue, upon issuance of the final audit report and if this finding remains, the DON will issue a reminder to the contracting workforce of the importance of obtaining cost and pricing data and maintaining it in the contract file. This will leverage the DASN(P) Policy Push which is a near real-time method of providing information to the DON contracting workforce. A draft of the language is below:

DoDIG issued a report on pricing actions for Ukraine Security Assistance to ensure fair and reasonable prices were paid. One of the findings of the report was that DoD contracting officers did not do an adequate job of obtaining or maintaining the certified cost and pricing data required to determine fair and reasonable prices. Accordingly, all contracting officers are requested to review and consider the requirements of FAR 4.803 "Contents of Contract Files," and FAR 15.403 "Obtaining Certified Cost or Pricing Data." Please ensure that for all contract files requiring certified cost or pricing data, the information utilized to determine fair and reasonable prices is maintained as part of the contract file.

Upon dissemination, the DON will provide evidence of this distribution and request that recommendation 2.b also be closed.

My point of contact for this action is [REDACTED] He may be reached at [REDACTED]



Michael L. Brown
Performing the Duties of the
Deputy Assistant Secretary of the
Navy (DASN) Procurement

Deputy Assistant Secretary of the Air Force for Acquisition, Technology, and Logistics



DEPARTMENT OF THE AIR FORCE WASHINGTON DC

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: SAF/AQ
1060 Air Force Pentagon
Washington, DC 20330-1130

SUBJECT: Department of the Air Force Response to DoD Office of Inspector General Draft Report, "Evaluation of the DoD's Effectiveness in Negotiating Fair and Reasonable Prices with Contractors for Ukraine Security Assistance" (Project No. D2024-DEV0SO-0116.000)

This is the Department of the Air Force (DAF) response to the DODIG Draft Report, "Evaluation of the DoD's Effectiveness in Negotiating Fair and Reasonable Prices with Contractors for Ukraine Security Assistance" (Project No. D2024-DEV0SO-0116.000). The DAF agrees with intent of the recommendations contained in the report.

1. The Assistant Secretary of the Air Force (Acquisition, Technology and Logistics)'s (SAF/AQ) responses to the report's recommendations are as follows:

RECOMMENDATION 3.a: The DODIG recommends that the Assistant Secretary of the Air Force (Acquisition, Technology, and Logistics) reevaluate the contract action with up to \$0.7 million in unsupported cost, identified in [DODIG Report] Appendix B, to determine whether the price associated with the Ukraine security assistance was fair and reasonable and, based on the results of the review, take the necessary steps to recover any awarded cost that is more than the fair and reasonable price.

DAF RESPONSE: SAF/AQ agrees with Recommendation 3.a. SAF/AQ has reevaluated the contract action and has determined the price associated with the Ukraine security assistance to be fair and reasonable. As such, no additional steps are needed. **Estimated Completion Date: Complete**

RECOMMENDATION 3.b: The DODIG recommends that the Assistant Secretary of the Air Force (Acquisition, Technology, and Logistics) issue a memorandum to remind Air Force contracting officers of Federal Acquisition Regulation subpart 4.803, "Contents of Contract Files," and Federal Acquisition Regulation subpart 15.403, "Obtaining Certified Cost or Pricing Data," requirements to obtain all certified cost or pricing data to determine fair and reasonable prices and ensure that all data used to determine fair and reasonable prices are maintained as part of the contract file.

DAF RESPONSE: SAF/AQ agrees with the intent of Recommendation 3.b and will update the contract pricing related tools, templates, and training on the Pricing Center of Excellence to

Deputy Assistant Secretary of the Air Force for
Acquisition, Technology, and Logistics (cont'd)

remind Contracting Officers to obtain certified cost or pricing data to determine fair and reasonable prices and that all data used to determine fair and reasonable prices must be maintained as part of the contract file. **Estimated Completion Date: 31 December 2025**

2. The SAF/AQ point of contact is [REDACTED] or via email at [REDACTED]


WILLIAM D. BAILEY
Director & Program Executive Officer, Air Force Rapid Capabilities Office
Performing the duties of the Assistant Secretary of the Air Force
(Acquisition, Technology & Logistics)

Acronyms and Abbreviations

ACC	Army Contracting Command
AFARS	Army Federal Acquisition Regulation Supplement
CCPD	Certified Cost or Pricing Data
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
IGCE	Independent Government Cost Estimate
PCF	Paperless Contract File
PNM	Price Negotiation Memorandum
SAF/AQ	Assistant Secretary of the Air Force for Acquisition



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