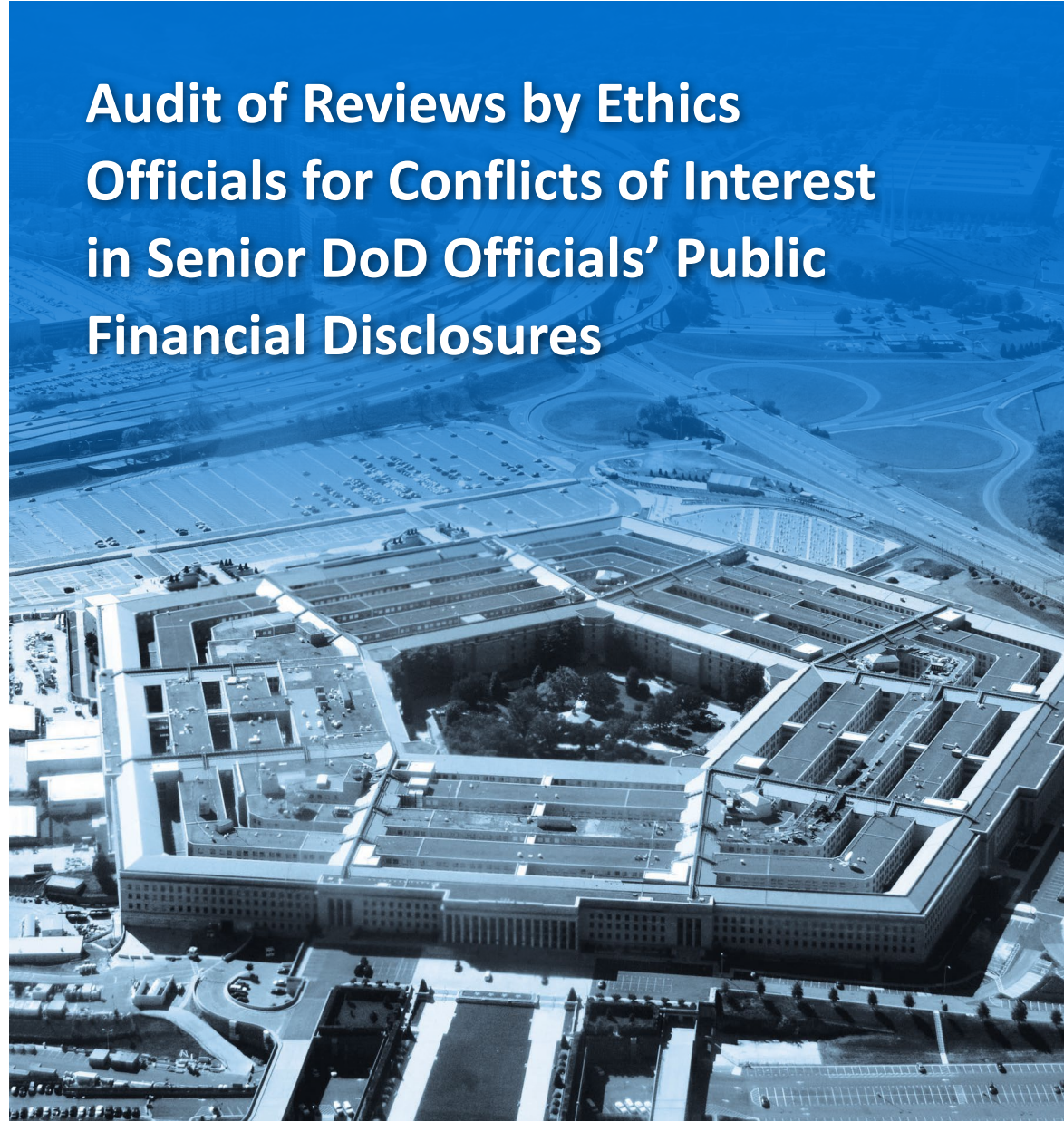




INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 12, 2025



Audit of Reviews by Ethics Officials for Conflicts of Interest in Senior DoD Officials' Public Financial Disclosures

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





Results in Brief

Audit of Reviews by Ethics Officials for Conflicts of Interest in Senior DoD Officials' Public Financial Disclosures

September 12, 2025

Objective

The objective of this audit was to determine whether public financial disclosure reports of senior DoD officials were submitted and reviewed in a timely manner. We also determined whether DoD ethics officials took appropriate action to identify and address potential conflicts of interest in public financial disclosure reports in accordance with applicable laws and policies. On October 10, 2024, we issued "Management Advisory: Audit of Timeliness of Public Financial Disclosure Reports of Senior DoD Officials" (Report No. DODIG-2025-003), which addressed the first portion of our objective. This report focuses on the actions of DoD ethics officials to identify and address potential conflicts of interest.

Background

According to title 5 Code of Federal Regulations part 2634, Federal law requires senior Executive Branch employees to report their personal financial interests publicly to ensure confidence in the integrity of the U.S. Government without compromising the public trust. The financial disclosure program within the DoD is used to periodically review personal financial interests to ensure timely identification and remediation of potential and actual conflicts of interest. Section 208, title 18, United States Code, prohibits a filer from participating personally and substantially in a particular matter in which they, their spouse, minor child, general partner, or organization in which they serve as officer, director, trustee, general partner, or employee has a financial interest. The statute is intended to prevent an employee

Background (cont'd)

from allowing personal interests to affect their official actions, and to protect governmental processes from actual or apparent conflicts of interest.

We reviewed periodic transaction reports because this type of public financial disclosure report is more likely to capture financial interests of individuals who frequently buy and sell stocks. From January 1, 2022, through July 31, 2023, 950 senior DoD officials filed 4,891 periodic transaction reports.

Finding

DoD ethics officials took appropriate actions to identify and address potential conflicts of interest that senior DoD officials reported from January 1, 2022, through July 31, 2023. Of the 950 senior DoD officials reviewed, 349 (36.7 percent) reported financial interests related to one of the top 100 DoD contractors. For these 349 senior officials, DoD ethics officials determined that:

- no conflict of interest existed for 337 (96.6 percent) of the 349 senior officials who identified a financial interest in one of the top 100 DoD contractors, and
- a potential conflict of interest existed for 12 (3.4 percent) of the 349 senior officials who identified a financial interest in one of the top 100 DoD contractors.

For the 337 senior DoD officials, ethics officials most often stated that they determined that no conflict of interest existed because the filer did not participate in any official duties related to the DoD contractor in which they had a financial interest or because the value of the filer's financial interest in the company was below the regulatory de minimis exemption amount. In addition, we found that ethics officials took proactive measures to educate filers on how to prevent potential conflicts of interest. For the 12 senior DoD officials identified as having a potential conflict of interest, ethics officials worked with filers to remediate those potential conflicts in accordance with applicable laws and policies. Specifically, we determined that the 12 senior DoD officials used divestiture, recusal, or resigning from the non-Federal position to eliminate their identified potential conflict of interest.





OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
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September 12, 2025

MEMORANDUM FOR GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS
DIRECTORS OF DEFENSE AGENCIES
DIRECTOR OF U.S. OFFICE OF GOVERNMENT ETHICS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Audit of Reviews by Ethics Officials for Conflicts of Interest in Senior DoD Officials'
Public Financial Disclosures (Report No. DODIG-2025-156)

This final report provides the results of the DoD Office of Inspector General's audit of reviews by ethics officials for conflicts of interest in senior DoD officials' public financial disclosures. We are providing this report for information and use. This report does not contain recommendations. We coordinated a discussion draft of this report with the DoD Standards of Conduct Office and the 14 other Designated Agency Ethics Officials we reviewed for management's review and comment. We considered their comments on the discussion draft when preparing the final report.

We appreciate the cooperation and assistance received during the audit. If you have any questions or would like to meet to discuss the audit, please contact me at [REDACTED].

A handwritten signature in blue ink, reading "Richard B. Vasquez", is positioned above the printed name.

Richard B. Vasquez
Assistant Inspector General for Audit
Readiness and Global Operations

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Introduction

Objective

The objective of this audit was to determine whether public financial disclosure reports of senior DoD officials were submitted and reviewed in a timely manner.¹ We also determined whether DoD ethics officials took appropriate action to identify and address potential conflicts of interest in public financial disclosure reports in accordance with applicable laws and policies.

On October 10, 2024, we issued “Management Advisory: Audit of Timeliness of Public Financial Disclosure Reports of Senior DoD Officials” (Report No. DODIG-2025-003), which addressed the first portion of our objective. This report addresses the second half of the objective and focuses on the actions of DoD ethics officials to identify and address potential conflicts of interest. See Appendix A for our scope, methodology, and prior coverage related to the objective.

Background

According to the Office of Government Ethics, the conflict-of-interest review is the most critical element of the public financial disclosure review process. In performing the conflict-of-interest review, ethics officials are assessing whether the filer could engage in or may have engaged in behavior that violates applicable laws and regulations. Section 208, title 18, United States Code, prohibits a filer from participating personally and substantially in a particular matter in which they, their spouse, minor child, general partner, or organization in which they serve as officer, director, trustee, general partner, or employee has a financial interest. The statute is intended to prevent an employee from allowing personal interests to affect their official actions, and to protect governmental processes from actual or apparent conflicts of interest.² The public financial disclosure program within the DoD is used to periodically review personal financial interests to ensure timely identification and remediation of potential and actual conflicts of interest. According to title 5 Code of Federal Regulations (CFR) part 2634, Federal law requires senior Executive Branch employees to report their personal financial

¹ For this report, we will use the term senior DoD officials to refer to all individuals required to file a public financial disclosure report.

² Title 5 CFR part 2640, “Interpretation, Exemptions and Waiver Guidance Concerning 18 U.S.C. 208 (Acts Affecting a Personal Financial Interest).”

interests publicly to ensure confidence in the integrity of the U.S. Government without compromising the public trust.³ Public financial disclosure reports are required for employees in the Executive Branch whose positions:

- are paid under a system other than the General Schedule (such as Senior Executive Service); and
- have a rate of basic pay equal to or greater than 120 percent of the minimum rate of basic pay for General Schedule-15, members of the Uniformed Services whose pay grade is O-7 or above, and officers or employees in any other positions determined by the Director of the Office of Government Ethics to be of equal classification.

The DoD has 17 Designated Agency Ethics Officials (DAEOs) who are responsible for implementing, administering, and supervising their organization's ethics program.⁴ DAEOs, or their designees, provide ethics advice and assistance to DoD personnel, including reviewing financial disclosure reports. This assistance includes ensuring that employee public financial disclosure reports are properly collected and reviewed, periodically evaluating the local ethics programs, and implementing and administering ethics training.

The DoD General Counsel is the primary DAEO for the DoD and is the DAEO for the "DoD Remainder Agency." The DoD Remainder Agency comprises the Office of the Secretary of Defense and all DoD Components and organizations that are not designated as separate DAEO agencies, including the Joint Chiefs of Staff, combatant commands, and all non-DAEO Defense agencies. The DoD Standards of Conduct Office manages the Office of the Secretary of Defense ethics program and provides ethics advice and counsel to personnel in the Office of the Secretary of Defense. To coordinate the DoD Component ethics programs, the Standards of Conduct Office provides interpretive guidance and training materials, collects and publishes important written opinions from the DoD Components, and helps DoD Component DAEOs ensure effective corrective action is taken to prevent or remedy violations.

Public Financial Disclosure Reporting

Title 5 CFR part 2634 establishes uniform procedures and requirements for public financial disclosure reports as required by the Ethics in Government Act of 1978. Title 5 CFR part 2634 implements policies relating to which persons are required

³ Title 5 CFR part 2634, "Executive Branch Financial Disclosure, Qualified Trusts, and Certificates of Divestiture."

⁴ We removed the DoD OIG and the National Security Agency (NSA) from the scope of our audit. As a result, we reviewed 15 DoD DAEO organizations. We removed the DoD OIG to avoid any independence issues, and we removed the NSA because it uses different systems and processes from the other DAEOs to submit and review financial disclosure reports. Recent Office of Government Ethics reports on the DoD OIG and NSA can be found at <https://www.oge.gov/web/OGE.nsf/Agency%20Ethics%20Documents%20Search%20Collection?OpenForm>.

to file a public financial disclosure, the types of public financial disclosure reports, the process for review of the reports, and the required contents of the reports. Five types of public financial disclosure reports are available to DoD officials.

- Annual reports: Senior DoD officials are required to file an annual report by May 15th each year.
- Periodic transaction reports: Senior DoD officials may file multiple periodic transaction reports each year, depending on whether a filer purchases, sells, or exchanges securities.
- New entrant reports: Senior DoD officials are required to file a new entrant report when the official begins a position that requires public financial disclosure reporting.
- Termination reports: Senior DoD officials are required to file a termination report when the official leaves their position.
- Combination annual/termination reports: Senior DoD officials may file a combination annual/termination report when their termination window falls between May 15th and August 13th.

Periodic Transaction Reports

The focus of this review was periodic transaction reports filed from January 1, 2022, through July 31, 2023. The process DoD ethics officials use to review financial interests outlined in the paragraphs below has not changed, and therefore the findings of this report are still relevant. We reviewed periodic transaction reports because this type of public financial disclosure report is more likely to capture the financial interests of individuals who frequently buy and sell stocks in companies with which their agency has or is negotiating a contract.

Title 5 CFR part 2634 states that filers are required to submit periodic transaction reports throughout the calendar year when they buy or sell financial interests. Personnel who serve or are expected to serve more than 60 days in a public filing position must submit periodic transaction reports containing a brief description, the date, and value for any purchase, sale, or exchange of securities made by or for the filer, filer's spouse, or dependent child, if the transaction value exceeds \$1,000. Filers are required to file periodic transaction reports within 30 days after the filer receives notification of a purchase, sale, or exchange of securities, but no later than 45 days after such transactions. Senior DoD officials filed 4,891 periodic transaction reports from January 1, 2022, through July 31, 2023.

Upon receipt of a public financial disclosure report, the reviewing official may request an intermediate review by the filer's supervisor or another reviewer as part of the initial review. The reviewing official must examine the report to determine, to the reviewing official's satisfaction, that each required part of the

report is completed and no interest or position disclosed on the report violates or appears to violate applicable laws and regulations, such as acts affecting a personal financial interest. If the reviewing official believes that the report meets legal requirements, the reviewing official will certify the report. The reviewing official's certification represents their determination that the filer's agency has reviewed the report, that the reviewing official determined that each required part of the report has been completed, and that, based on information in the report, the filer is in compliance with applicable ethics laws and regulations.

If the reviewing official concludes that information disclosed in the periodic transaction report may reveal a potential conflict of interest or other ethics concern, the official must notify the filer of that conclusion and allow the filer to respond. The reviewing official then must determine, after considering any response, whether the filer complied with applicable conflict-of-interest laws and regulations. If the reviewing official determines that the filer has not complied with applicable conflict-of-interest laws and regulations, and additional remedial actions are required, the reviewing official must notify the filer of the conclusion. The reviewing official must determine what remedial action is necessary to bring the filer into compliance with conflict-of-interest laws and regulations and notify the filer in writing of the remedial action needed and the date by which such action should be taken. The remedial steps are outlined in 5 CFR section 2634.605. Table 1 describes the remedial steps available to filers.

Table 1. Description of Remedial Actions Available to Filers

Remedial Action	Description
Divestiture	An employee may sell or otherwise divest themselves of an asset or other interest that causes their disqualification to eliminate the conflict of interest.
Resignation from a non-Federal entity	An employee may be required to resign from an outside position in circumstances in which the position creates a disqualifying financial interest for the employee that cannot be readily overcome through any other remedy.
Restitution*	Payment made to the Government for damage or loss.
Establish a Blind or Diversified Trust*	An employee may establish a blind or diversified trust, giving up the management of their assets to an institution that serves as an independent trustee that makes investment decisions for the employee without their knowledge.
Waiver of disqualification	An agency may determine that a disqualifying financial interest in a particular matter is not likely to affect the integrity of the employee's services to the Government and may waive the disqualification and allow the employee to participate in the particular matter.

Table 1. Description of Remedial Actions Available to Filers (cont'd)

Remedial Action	Description
Recusal	An employee must recuse themselves from participating in a particular matter in which, to the employee's knowledge, the employee has a financial interest, if the particular matter will have a direct and predictable effect on that interest.
Voluntary request by filer for transfer, reassignment, limitation of duties, or resignation*	Filer may request to change or limit official duties or resign from official government duties to avoid participation in a particular matter related to their financial interests.

* While all seven remedies are available under Federal law, according to ethics officials from the DoD Standards of Conduct Office, these three remedies are rarely used or not applicable to stock ownership.

Source: The DoD OIG.

Because periodic transaction reports are submitted only when a filer has reportable transactions, not all senior DoD officials are required to file periodic transaction reports. Individual filers could submit multiple periodic transaction reports throughout the year, and each report could contain multiple transactions. Table 2 shows the breakdown of periodic transaction reports that senior DoD officials filed from January 1, 2022, through July 31, 2023, by the 15 DoD agencies included in our review.

Table 2. Total Number of Filers, Periodic Transaction Reports Filed, and Individual Transactions Identified in the Reports from January 1, 2022, Through July 31, 2023

DoD Agency	Number of Senior DoD Officials Who Filed Periodic Transaction Reports	Number of Periodic Transaction Reports Filed	Individual Transactions Identified in Reports
Armed Services Board of Contract Appeals	9	65	648
Defense Commissary Agency	0	0	0
Defense Contract Audit Agency	2	4	6
Defense Counterintelligence and Security Agency	8	47	606
Defense Finance and Accounting Service	4	56	1,058
Defense Information Systems Agency	4	21	204
Defense Intelligence Agency	33	137	906

Table 2. Total Number of Filers, Periodic Transaction Reports Filed, and Individual Transactions Identified in the Reports from January 1, 2022, Through July 31, 2023 (cont'd)

DoD Agency	Number of Senior DoD Officials Who Filed Periodic Transaction Reports	Number of Periodic Transaction Reports Filed	Individual Transactions Identified in Reports
Defense Logistics Agency	11	33	679
Defense Threat Reduction Agency	6	19	219
Department of the Air Force	189	957	11,834
Department of the Army	203	967	10,802
Department of the Navy	270	1,457	15,856
DoD Remainder Agency	129	689	9,237
National Geospatial-Intelligence Agency	35	157	610
Uniformed Services University of the Health Sciences	47	282	4,796
Total	950	4,891	57,461

Source: The DoD OIG.

What We Reviewed

We reviewed the periodic transaction reports to determine which filers identified a financial interest in the top 100 DoD contractors, which have the largest dollar amounts obligated with the DoD. From January 1, 2022, through July 31, 2023, 950 senior DoD officials submitted 4,891 periodic transaction reports that included 57,461 financial transactions. For our review, we selected only those transactions that contained financial interests in the top 100 DoD contractors list from FY 2022 to establish one standardized list across all 15 DoD agencies instead of using an individual unique list for each DoD agency.⁵ We only used the periodic transaction reports to determine which filers had financial interests in the top 100 DoD contractors. We used data analytic tools to extract the individual line-item transactions from each periodic transaction report and compared these transactions to the list of the top 100 DoD contractors.

⁵ We used the FY 2022 top 100 DoD contractors list to establish a standard and consistent list across all DoD organizations in our review. The FY 2022 Top 100 Contractors Report can be found at <https://sam.gov/reports/awards/static>.

For the filers who reported financial interests in a top 100 DoD contractor, we requested that the ethics official explain whether the filer's financial interest in the top 100 DoD contractor was identified as a potential conflict of interest during any of the ethics officials' public financial disclosure report reviews. If the ethics official determined that the financial interest was not a potential conflict of interest, we requested and reviewed the rationale for their decision. For any financial interests that ethics officials determined to be a potential conflict of interest, we requested and reviewed information on actions taken to resolve the potential conflict. See Appendix B for a full breakdown of filers, disclosures, and transactions by DoD Agency.

Finding

DoD Ethics Officials Identified and Addressed Senior DoD Officials' Potential Conflicts of Interest Related to the Top 100 DoD Contractors

DoD ethics officials took appropriate actions to identify and address potential conflicts of interest that senior DoD officials reported.⁶ Of the 950 senior DoD officials reviewed, 349 (36.7 percent) reported financial interests in the top 100 DoD contractors. For these 349 senior officials, DoD ethics officials determined that:

- no conflict of interest existed for 337 (96.6 percent) of the 349 senior officials who identified a financial interest in one of the top 100 DoD contractors, and
- a potential conflict of interest existed for 12 (3.4 percent) of the 349 senior officials who identified a financial interest in one of the top 100 DoD contractors.

For the 337 senior DoD officials, ethics officials most often stated that they determined that no conflict of interest existed because the filer did not participate in any official duties related to the DoD contractor in which they had a financial interest or because the value of the filer's financial interest in the company was below the regulatory de minimis exemption amount.⁷ In addition, we found that ethics officials took proactive measures to educate filers on how to prevent potential conflicts of interest. For the 12 senior DoD officials identified as having a potential conflict of interest, ethics officials worked with filers to remediate those potential conflicts in accordance with applicable laws and policies. Specifically, we determined that the 12 senior DoD officials used divestiture, recusal, or resigning from the non-Federal position to eliminate their identified potential conflict of interest.

⁶ For this audit, we define appropriate actions as ethics officials applying Federal law when making decisions on whether a financial interest was a potential conflict of interest and the remedies taken to address any potential conflicts of interest.

⁷ According to 5 CFR part 2640, publicly traded stock holdings below \$15,000 are considered de minimis and are exempt from the general conflict of interest prohibition.

DoD Ethics Officials Took Appropriate Action for Senior Officials' Financial Interests in the Top 100 DoD Contractors

DoD ethics officials took appropriate actions to identify and address potential conflicts of interest of DoD senior officials. DoD ethics officials determined that 337 (96.6 percent) of the 349 senior DoD officials who reported financial interests in the top 100 DoD contractors did not have a potential conflict of interest. For the remaining 12 (3.4 percent) of the 349 senior DoD officials who reported financial interests in the top 100 DoD contractors, DoD ethics officials determined that the financial interest was a potential conflict of interest for the filer, and the ethics official and filer took appropriate action.

DoD Ethics Officials Determined That Most Filers Did Not Have Conflicts of Interest

DoD ethics officials determined that most senior DoD officials who identified a financial interest in one of the top 100 DoD contractors did not have a potential conflict of interest between their assigned duties and their financial interests. Overall, for the 349 senior DoD officials who identified a financial interest in one of the top 100 DoD contractors, ethics officials determined that 337 (96.6 percent) of the 349 filers did not have a conflict of interest. Ethics officials most often stated that they determined that no conflict of interest existed because the filer did not participate in any official duties related to the DoD contractor in which they had a financial interest. For example, the Defense Logistics Agency (DLA) ethics official reported that a naval officer working for the DLA did not have a conflict of interest with stock ownership in a pharmaceutical company because the officer did not participate personally or substantially in any matters that might have a direct and predictable effect on the pharmaceutical company.

Ethics officials also determined that no conflict of interest existed because the value of the filer's financial interest in the company was below the regulatory de minimis exemption amount. Title 5 CFR part 2640 describes financial interests that are exempt from the general prohibition because they are too remote or too inconsequential to affect the integrity of the employee's services to which the prohibition applies, such as publicly traded stock holdings below the de minimis amount of \$15,000. For example, one Air Force filer had stock ownership in multiple top 100 DoD contractors that fell into the de minimis ownership exemption. However, because the filer's stock ownership was below the de minimis amount, the filer was not required to be disqualified from participating in any matters involving the contractor.

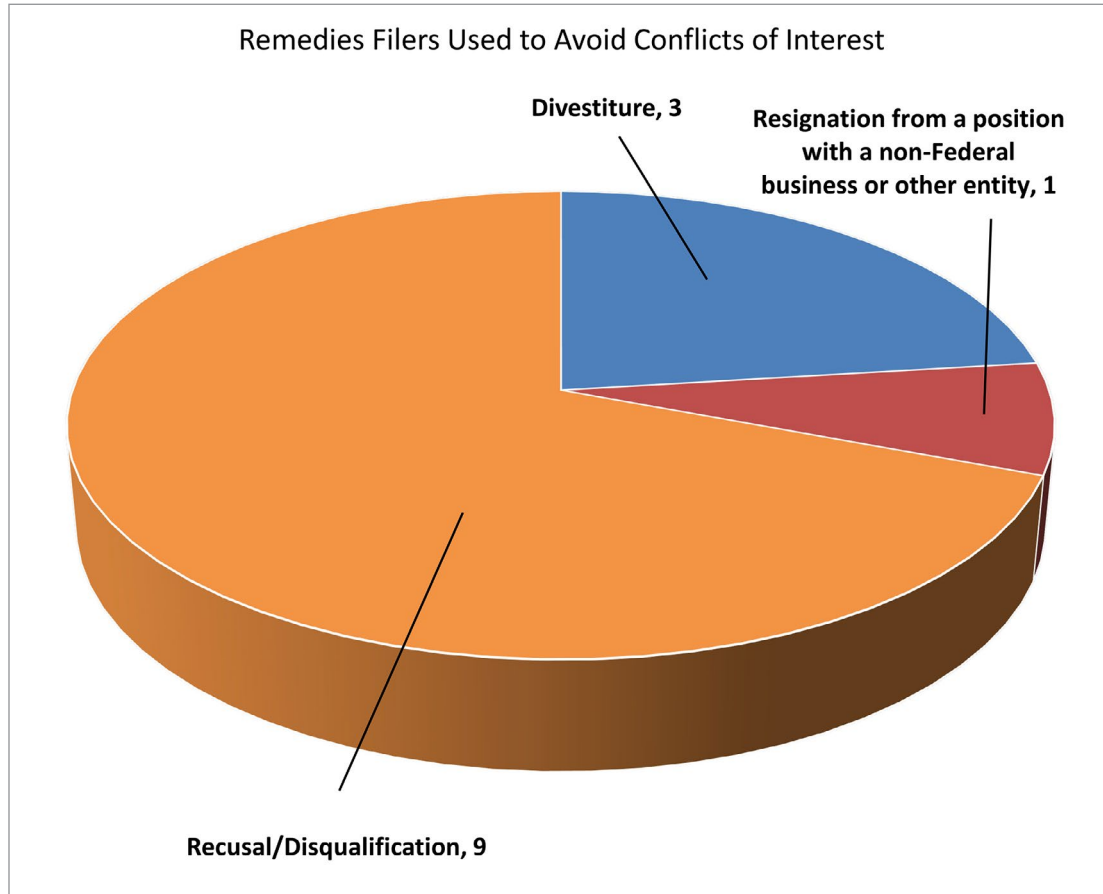
In addition, we found that ethics officials took proactive measures to educate filers on how to prevent potential conflicts of interest. For example, according to a Defense Finance and Accounting Service (DFAS) ethics official, it is DFAS policy to send caution letters to any filer who submits a public financial disclosure report that lists a financial interest in a DoD contractor with contracts over \$25,000. In our review, three DFAS filers had a financial interest in a total of 16 DoD contractors. Of the 16 DoD contractors, only 1 contractor had contractual relations with DFAS, and none of the filers had job duties related to the 16 contractors. However, because the companies were DoD contractors, the ethics official believed that there was still the potential for a future conflict of interest and, in an abundance of caution, sent caution letters to filers for each report. In another example, Uniformed Services University of the Health Sciences ethics officials determined that none of the financial interests identified in the filers' public financial disclosure reports represented a conflict of interest. However, as a precaution, the ethics officials had the senior officials sign an acknowledgment that if they did have official duties that related to a company in which the filer held more than \$15,000 in financial interests, the senior official would recuse themselves from any decisions related to that company.

DoD Ethics Officials and Filers Took Appropriate Action to Remediate Any Identified Potential Conflicts of Interest

DoD ethics officials and filers took appropriate actions to remediate identified potential conflicts of interest for the 12 (3.4 percent) of the 349 filers who reported a financial interest in at least one of the top 100 DoD contractors that had a potential conflict of interest. We requested that ethics officials provide documentation to support actions taken to address a potential conflict of interest. We reviewed the responses from the DoD ethics officials and determined that ethics officials took appropriate action to identify and resolve potential conflicts of interest with filers. Specifically, of the 12 filers in our universe identified as having a potential conflict of interest related to a financial interest in the top 100 DoD contractors, we determined that all 12 filers remediated potential conflicts of interest in accordance with applicable laws and policies. Federal regulations establish various remedies to overcome potential conflicts of interest, including divestiture, resigning from a non-Federal position, restitution, establishing a blind trust to manage the assets, recusal from decisions that would affect that financial interest, and voluntary reassignment from the position that caused the potential conflict of interest. We determined that the 12 senior DoD officials used divestiture, recusal, or resigning from the non-Federal position to eliminate their identified potential conflict of interest. We did not identify

any instances of filers using the other methods listed in Table 1 as a remedy to overcome potential conflicts of interest. Figure 1 identifies the remedies that DoD ethics officials and filers used to eliminate the potential conflicts of interest.⁸

Figure 1. Methods of Remedy That Senior DoD Officials Used



Source: The DoD OIG.

Some of the actions filers took to eliminate potential conflicts of interest were resigning from a non-Federal entity and divesting their financial interests in the contractor that conflicted with their official duties. For example, according to the DoD Standards of Conduct Office ethics official, during pre-confirmation ethics vetting for a filer who was a prospective civilian presidential appointee confirmed by the Senate, the Office of Government Ethics and the DoD Standards of Conduct Office ensured that any potential conflict of interest between the filer and a top 100 DoD contractor was addressed. The filer was required to resign from their position with the top 100 DoD contractor before they were appointed as a senior Army official. In addition, Army ethics officials reported that the filer was required to divest their financial interests in the top 100 DoD contractor because a DoD

⁸ One filer at the Department of the Army took two remedies for the same contractor, so the number of remedies does not match the number of filers.

presidentially appointed, Senate-confirmed official is required to divest holdings in any entity appearing on the top 10 DoD contractor list during the preceding 5 years. The ethics official reported that the filer divested their financial interests in the top 100 DoD contractor within 120 days of confirmation of their appointment, after being granted a 30-day extension by the ethics official. Because ethics officials identified and addressed the potential conflicts in accordance with applicable laws and policies, and the filer took the recommended actions to remediate any potential conflict of interest, the filer did not have an actual conflict of interest.

Filers also disqualified themselves from participating personally and substantially in any matters that would have a direct and predictable effect on their financial interests in a DoD contractor. Ethics officials and the filers implemented screening arrangements to ensure that the filers did not participate in matters related to the entities. For example, DLA ethics officials identified a potential conflict of interest because a filer owned stock in a top 100 DoD contractor and the filer's spouse worked for the contractor. Ethics officials recommended recusal and disqualification from taking any official actions related to that contractor for the filer, along with implementation of a screening arrangement. The filer took the recommended actions and recused themselves from taking any official action that may have a direct and predictable financial impact on the top 100 DoD contractor. The ethics official and filer also implemented a screening arrangement in which the filer instructed their staff to screen all matters directed to their attention that involve the top 100 DoD contractor. The staff would then send the matters related to the top 100 DoD contractor to another director's staff and the filer's administrative staff to take action, to ensure that the filer was removed from decisions on any matters related to the contractor.

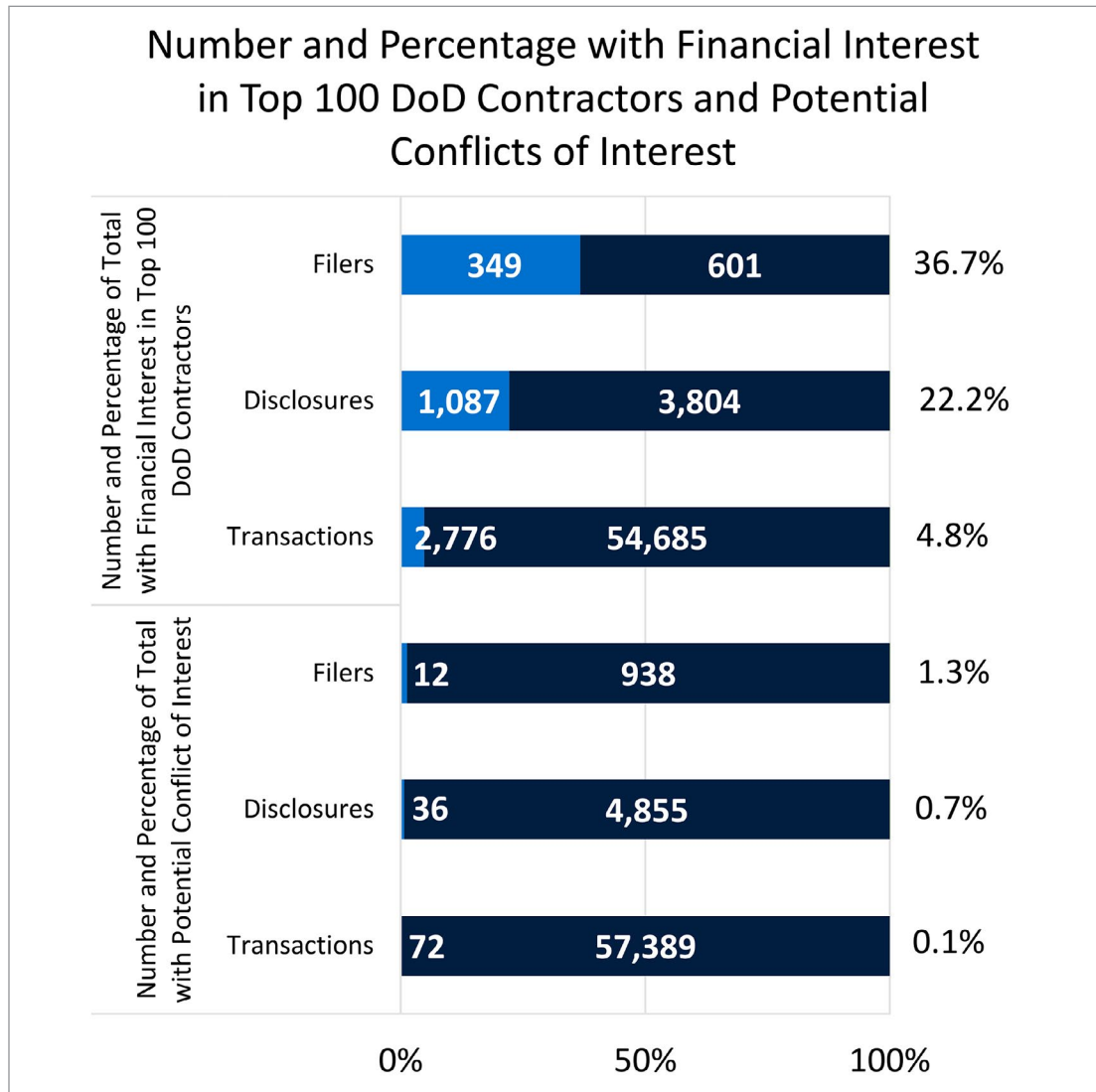
Summary

Conflict-of-interest reviews by ethics officials ensure compliance with Federal ethics requirements and timely identification and remediation of potential and actual conflicts. We found that ethics officials performed consistent and timely reviews of senior DoD officials' financial interests and addressed potential conflicts of interest between the official duties and the financial interests of DoD filers. Ethics officials also provided guidance on how to ethically handle financial interests and appropriate actions to take to reduce the risk of the appearance of or actual conflicts of interest.

While senior DoD officials can have potential conflicts of interest with any company or organization, the top 100 DoD contractors have the largest dollar amounts obligated with the DoD, making prevention of potential conflicts of interest with these entities critical. These companies are often publicly traded,

and DoD contracts can contribute significant amounts of income to the companies. Figure 2 shows the number and percentage of filers, periodic transaction reports, and transactions that revealed a financial interest in the top 100 DoD contractors. In addition, the figure shows the number and percentage of the total number of filers, disclosures, and transactions for which ethics officials identified a potential conflict of interest.

Figure 2. Number and Percentage of All Filers, Disclosures, and Transactions That Had a Financial Interest in the Top 100 DoD Contractors and That Had a Potential Conflict of Interest



Source: The DoD OIG.

When reviewing the periodic financial disclosure reports filed from January 1, 2022, through July 31, 2023, we determined that a total of 950 senior DoD officials submitted nearly 4,900 periodic transaction reports. These reports contained more

than 57,000 individual transactions. However, most of these senior DoD officials did not identify any financial interest in the top 100 DoD contractors. We found that of the 950 senior DoD officials reviewed, only 349, or 36.7 percent, identified financial interests in the top 100 DoD contractors. Ethics officials reviewed the financial interests of these DoD senior officials and determined that only 12 filers, or 3.4 percent, of the 349 had a potential conflict of interest. When compared to the overall universe of filers, rather than just those with a financial interest in the top 100 DoD contractors, the percentage of those with a potential conflict of interest falls to 1.3 percent (12 of the 950 individual filers). When reviewing the number of individual transactions, the percentage is even smaller. Of the 57,461 transactions we reviewed, we determined that 2,776, or 4.8 percent, were transactions involving the top 100 DoD contractors. The number of those 2,776 that were determined to be a potential conflict of interest is even smaller, with only 72 transactions that were deemed to be a potential conflict. This represents only 0.1 percent of the total population of 57,461 transactions reviewed. DoD ethics officials reviewed all 72 of these transactions, determined whether the financial interest would be a potential conflict, and then worked with the filer to resolve any potential or actual conflict of interest.

Appendix A

Scope and Methodology

We conducted this performance audit from July 2023 through June 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Timeliness Review

On October 10, 2024, we issued “Management Advisory: Audit of Timeliness of Public Financial Disclosure Reports of Senior DoD Officials” (Report No. DODIG-2025-003) to address the timeliness review of public financial disclosure reports of senior DoD officials filed from January 1, 2022, through July 31, 2023, for the following 15 DoD agencies in our review.

- Armed Services Board of Contract Appeals
- Defense Commissary Agency
- Defense Contract Audit Agency
- Defense Counterintelligence and Security Agency
- Defense Finance Accounting Service
- Defense Information Systems Agency
- Defense Intelligence Agency
- Defense Logistics Agency
- Defense Threat Reduction Agency
- Department of the Air Force
- Department of the Army
- Department of the Navy
- DoD Remainder Agency
- National Geospatial-Intelligence Agency
- Uniformed Services University of the Health Sciences

To complete that work, we reviewed the following guidance to understand the filing and review requirements for the five types of public financial disclosure reports.

- Title 5 CFR part 2634, “Executive Branch Financial Disclosure, Qualified Trusts, and Certificates of Divestiture”
- “Joint Ethics Regulation (JER),” May 15, 2024

We then reviewed all 14,192 (100 percent) public financial disclosure reports that were submitted by senior DoD officials and reviewed by the 15 DAEOs from January 1, 2022, through July 31, 2023. For each public financial disclosure report, we compared that report to the submission and review time frame requirements for the specific type of report. We also reviewed whether the DAEOs approved extensions for filing and whether the DAEOs charged for late fees. For this audit, we considered a submission or review rate for a DAEO above 90 percent to be timely. While no law or policy outlines the 90-percent threshold, we established this threshold to focus the audit on those DAEOs that could improve the rate of timely public disclosure reports.

Conflict-of-Interest Review

This report addresses the potential conflict-of-interest review of public financial disclosure reports of senior DoD officials filed from January 1, 2022, through July 31, 2023, for the same 15 DoD agencies we reviewed for our management advisory on the timeliness of public financial disclosure reports. To complete that work, we reviewed the following guidance to understand what actions DoD ethics officials took to identify and address potential conflicts of interest in public financial disclosure reports.

- Title 5 CFR part 2634, “Executive Branch Financial Disclosure, Qualified Trusts, and Certificates of Divestiture”
- Title 5 CFR part 2640, “Interpretation, Exemptions and Waiver Guidance Concerning 18 U.S.C. 208 (Acts Affecting a Personal Financial Interest)”

We then reviewed all 4,891 (100 percent) periodic transaction reports that senior DoD officials filed from January 1, 2022, through July 31, 2023. With the assistance of the DoD OIG Quantitative Methods Division, we used a programming language to extract individual line-item transaction data from each periodic transaction report to create a database for all periodic transaction reports filed from January 1, 2022, through July 31, 2023. Using another programming language, the Quantitative Methods Division developed an algorithm to identify which individual line-item transactions contained financial interests in any of the top 100 DoD contractors on the FY 2022 top 100 DoD contractors list and provided us with a universe.

To verify the data our Quantitative Methods Division provided, we performed a manual data validation check to verify that the universe was complete and accurate. Specifically, we manually reviewed each individual line-item transaction within each periodic transaction report and compared the transaction to the universe the Quantitative Methods Division provided to verify that all reports and transactions were included.

We also performed a manual integrity check to verify that the information provided by data analytics accurately identified the top 100 DoD contractor matches from the universe. To verify the top 100 DoD contractors, we compared the top 100 DoD contractor list to the data generated by data analytics to verify that all individual line-item transactions that contained the top 100 DoD contractors matched and those that did not contain the top 100 DoD contractors were excluded.

For the individual line-item transactions we identified as financial interests in the top 100 DoD contractors, we asked the ethics officials at their respective agencies which of those financial interests were determined to be a potential conflict of interest. If ethics officials determined that the filer did not have a potential conflict of interest, we requested and reviewed the rationale for their decision. We did not independently determine whether a conflict of interest existed between the filer and the financial interest in the top 100 DoD contractor. We summarized and provided examples of the explanations in our report to provide perspective on why filers were not determined to have a potential conflict of interest. For instances in which ethics officials determined that a potential conflict of interest existed, we requested and reviewed information on actions taken to resolve the potential conflict. We summarized and provided examples of the actions that filers took to resolve any potential conflicts of interest.

Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. Specifically, we assessed three components of internal controls for this audit. We assessed the monitoring component, specifically the performing monitoring activities principle. We also assessed the implement control activities principle in the control activities component. Finally, in the information and communication component, we assessed the use quality information and communicate internally principles. For all the assessed internal controls, we found that the DoD agencies implemented sufficient internal controls to provide reasonable assurance for both the timeliness and conflict-of-interest reviews of senior DoD officials' financial public disclosure reporting. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Use of Computer-Processed Data

We used computer-processed data from the Integrity data system to perform this audit. While we identified missing data in the system, we performed sufficient reviews to ensure that the data were reliable for our audit. To ensure

the reliability of the data, we compared actual public financial disclosure reports to spreadsheets generated by the Integrity system for completeness of the information in the spreadsheets. When we identified information missing from the spreadsheets, we used the public financial disclosure reports to provide the missing information. In addition, we relied on data analytics to identify periodic transaction reports that included a financial interest in the top 100 DoD contractors. To ensure reliability of this information, we manually reviewed all public financial disclosure reports to ensure that the number of transactions included in the public financial disclosure report was captured by the data analytics programs and that all instances of financial interests in the top 100 DoD contractors were captured.

Use of Technical Assistance

The DoD OIG Quantitative Methods Division assisted in generating our universe of periodic transactions filed from January 1, 2022, through July 31, 2023. The audit universe consisted of 4,891 periodic transaction reports filed by senior DoD officials. We provided the 4,891 periodic transaction reports to the Quantitative Methods Division analysts, who used programming languages to extract individual financial transaction data from the reports. The Quantitative Methods Division then used another programming language to determine those financial transactions identified as financial interest in the top 100 DoD contractors using the FY 2022 top 100 DoD contractors list.

Prior Coverage

During the last 5 years, the DoD OIG issued one management advisory related to the timeliness of submission and review of the public financial disclosure reports of senior DoD officials. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

DoD OIG

Report No. DODIG-2025-003, “Management Advisory: Timeliness of Public Financial Disclosure Reports of Senior DoD Officials,” October 10, 2024

This management advisory discussed the timeliness of both the submission and review of senior DoD officials’ public financial disclosure reports. Generally, senior DoD officials submitted, and DoD ethics officials reviewed, public financial disclosure reports for three of the five categories of reports in a timely manner. Annual, termination, and combination annual/termination reports were submitted in a timely manner; however, new entrant and periodic transaction reports had higher rates of late submissions. Updates

to the Joint Ethics Regulation should improve the timeliness for these public financial disclosure reports. Ethics officials generally reviewed the reports in a timely manner.

Appendix B

Filers, Disclosure Reports, and Transactions with Financial Interest in Top 100 DoD Contractors and Potential Conflicts of Interest

The following tables break down the number of filers, periodic transaction disclosure reports, and transactions for each defense organization reviewed for periodic transaction disclosure reports submitted from January 1, 2022, through July 31, 2023.

The tables provide the total number of each category, the number that had a financial interest in the top 100 DoD contractors, the number that had a potential conflict of interest, and the percentages for each.

Table 3. Total Filers, Number of Filers with a Financial Interest in the Top 100 DoD Contractors, and the Number of Filers with a Potential Conflict of Interest

DoD Agency	Total Filers in Universe	Filers with Financial Interest in Top 100 DoD Contractors	Percentage of Filers with Financial Interest in Top 100 DoD Contractors	Filers with a Potential Conflict of Interest in Top 100 DoD Contractors	Percentage of Filers with Financial Interest in Top 100 DoD Contractors with a Potential Conflict of Interest	Percentage of All Filers with Potential Conflict of Interest in Top 100 DoD Contractors
Armed Services Board of Contract Appeals	9	3	33.3%	1	33.3%	11.1%
Defense Commissary Agency	0	0	0.0%	0	0.0%	0.0%
Defense Contract Audit Agency	2	0	0.0%	0	0.0%	0.0%
Defense Counterintelligence and Security Agency	8	3	37.5%	0	0.0%	0.0%
Defense Finance and Accounting Service	4	3	75.0%	0	0.0%	0.0%
Defense Information Systems Agency	4	1	25.0%	0	0.0%	0.0%

Table 3. Total Filers, Number of Filers with a Financial Interest in the Top 100 DoD Contractors, and the Number of Filers with a Potential Conflict of Interest (cont'd)

DoD Agency	Total Filers in Universe	Filers with Financial Interest in Top 100 DoD Contractors	Percentage of Filers with Financial Interest in Top 100 DoD Contractors	Filers with a Potential Conflict of Interest in Top 100 DoD Contractors	Percentage of Filers with Financial Interest in Top 100 DoD Contractors with a Potential Conflict of Interest	Percentage of All Filers with Potential Conflict of Interest in Top 100 DoD Contractors
Defense Intelligence Agency	33	11	33.3%	0	0.0%	0.0%
Defense Logistics Agency	11	7	63.6%	2	28.6%	18.2%
Defense Threat Reduction Agency	6	1	16.7%	0	0.0%	0.0%
Department of the Air Force	189	67	35.4%	2	3.0%	1.1%
Department of the Army	203	74	36.5%	2	2.7%	1.0%
Department of the Navy	270	108	40.0%	2	1.9%	0.7%
DoD Remainder Agency	129	47	36.4%	3	6.4%	2.3%
National Geospatial-Intelligence Agency	35	6	17.1%	0	0.0%	0.0%
Uniformed Services University of the Health Sciences	47	18	38.3%	0	0.0%	0.0%
Total	950	349	36.7%	12	3.4%	1.3%

Source: The DoD OIG.

Table 4. Total Disclosure Reports, Number of Disclosure Reports with a Financial Interest in the Top 100 DoD Contractors, and the Number of Disclosure Reports with a Potential Conflict of Interest

DoD Agency	Total Disclosure Reports in Universe	Disclosure Reports with Financial Interest in Top 100 DoD Contractors	Percentage of Disclosure Reports with Financial Interest in Top 100 DoD Contractors	Disclosure Reports with a Potential Conflict of Interest in Top 100 DoD Contractors	Percentage of Disclosure Reports with Financial Interest in Top 100 DoD Contractors with a Potential Conflict of Interest	Percentage of All Disclosure Reports with Potential Conflict of Interest in Top 100 DoD Contractors
Armed Services Board of Contract Appeals	65	9	13.8%	3	33.3%	4.6%
Defense Commissary Agency	0	0	0.0%	0	0.0%	0.0%
Defense Contract Audit Agency	4	0	0.0%	0	0.0%	0.0%
Defense Counterintelligence and Security Agency	47	13	27.7%	0	0.0%	0.0%
Defense Finance and Accounting Service	56	26	46.4%	0	0.0%	0.0%
Defense Information Systems Agency	21	1	4.8%	0	0.0%	0.0%
Defense Intelligence Agency	137	21	15.3%	0	0.0%	0.0%
Defense Logistics Agency	33	16	48.5%	6	37.5%	18.2%
Defense Threat Reduction Agency	19	2	10.5%	0	0.0%	0.0%
Department of the Air Force	957	217	22.7%	4	1.8%	0.4%
Department of the Army	967	201	20.8%	4	2.0%	0.4%
Department of the Navy	1,457	350	24.0%	8	2.3%	0.5%

Table 4. Total Disclosure Reports, Number of Disclosure Reports with a Financial Interest in the Top 100 DoD Contractors, and the Number of Disclosure Reports with a Potential Conflict of Interest (cont'd)

DoD Agency	Total Disclosure Reports in Universe	Disclosure Reports with Financial Interest in Top 100 DoD Contractors	Percentage of Disclosure Reports with Financial Interest in Top 100 DoD Contractors	Disclosure Reports with a Potential Conflict of Interest in Top 100 DoD Contractors	Percentage of Disclosure Reports with Financial Interest in Top 100 DoD Contractors with a Potential Conflict of Interest	Percentage of All Disclosure Reports with Potential Conflict of Interest in Top 100 DoD Contractors
DoD Remainder Agency	689	152	22.1%	11	7.2%	1.6%
National Geospatial-Intelligence Agency	157	15	9.6%	0	0.0%	0.0%
Uniformed Services University of the Health Sciences	282	64	22.7%	0	0.0%	0.0%
Total	4,891	1,087	22.2%	36	3.3%	0.7%

Source: The DoD OIG.

Table 5. Total Transactions, Number of Transactions with a Financial Interest in the Top 100 DoD Contractors, and the Number of Transactions with a Potential Conflict of Interest

DoD Agency	Total Transactions in Universe	Transactions with Financial Interest in Top 100 DoD Contractors	Percentage of Transactions with Financial Interest in Top 100 DoD Contractors	Transactions with a Potential Conflict of Interest in Top 100 DoD Contractors	Percentage of Transactions with Financial Interest in Top 100 DoD Contractors with a Potential Conflict of Interest	Percentage of All Transactions with Potential Conflict of Interest in Top 100 DoD Contractors
Armed Services Board of Contract Appeals	648	11	1.7%	3	27.3%	0.5%
Defense Commissary Agency	0	0	0.0%	0	0.0%	0.0%
Defense Contract Audit Agency	6	0	0.0%	0	0.0%	0.0%

Table 5. Total Transactions, Number of Transactions with a Financial Interest in the Top 100 DoD Contractors, and the Number of Transactions with a Potential Conflict of Interest (cont'd)

DoD Agency	Total Transactions in Universe	Transactions with Financial Interest in Top 100 DoD Contractors	Percentage of Transactions with Financial Interest in Top 100 DoD Contractors	Transactions with a Potential Conflict of Interest in Top 100 DoD Contractors	Percentage of Transactions with Financial Interest in Top 100 DoD Contractors with a Potential Conflict of Interest	Percentage of All Transactions with Potential Conflict of Interest in Top 100 DoD Contractors
Defense Counterintelligence and Security Agency	606	31	5.1%	0	0.0%	0.0%
Defense Finance and Accounting Service	1,058	59	5.6%	0	0.0%	0.0%
Defense Information Systems Agency	204	1	0.5%	0	0.0%	0.0%
Defense Intelligence Agency	906	52	5.7%	0	0.0%	0.0%
Defense Logistics Agency	679	51	7.5%	6	11.8%	0.9%
Defense Threat Reduction Agency	219	2	0.9%	0	0.0%	0.0%
Department of the Air Force	11,834	511	4.3%	5	1.0%	0.0%
Department of the Army	10,802	553	5.1%	8	1.4%	0.1%
Department of the Navy	15,856	839	5.3%	35	4.2%	0.2%
DoD Remainder Agency	9,237	345	3.7%	15	4.3%	0.2%
National Geospatial-Intelligence Agency	610	20	3.3%	0	0.0%	0.0%
Uniformed Services University of the Health Sciences	4,796	301	6.3%	0	0.0%	0.0%
Total	57,461	2,776	4.8%	72	2.6%	0.1%

Source: The DoD OIG.

Acronyms and Abbreviations

CFR	Code of Federal Regulations
DAEO	Designated Agency Ethics Official
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
NSA	National Security Agency



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