



## DEFENSE CONTRACT AUDIT AGENCY

8725 JOHN J. KINGMAN ROAD, SUITE 2135  
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IN REPLY REFER TO:

DL 502.4  
I-25-079-H

May 1, 2025

### MEMORANDUM FOR DEFENSE CONTRACT MANAGEMENT AGENCY

SUBJECT: Freedom of Information Act Request  
Mr. Sherman Startz  
FOIA Case Number I-25-079-H

This memorandum refers to the attached subject request. While processing this request we identified information of interest to your agency in our files. The attached information is referred for your review, release determination, and direct response to Mr. Startz. DCAA has no objection to the release of the referred documents. A copy of our final response to the requester is attached. Please furnish this office with a copy of your final response to the requester.

Should you have any questions regarding this matter, please contact me at 571-448-3153.

Sincerely,

*Keith Mastromichalis*

Keith O. Mastromichalis  
Chief FOIA Officer  
DCAA Office of General Counsel

#### Attachments:

1. DCAA I-25-079-H Request Letter
2. DCAA I-25-079-H DCAA Responsive Audit Reports
3. DCAA I-25-079-H Final Response Letter

# **Attachment**

## **1**

The following list contains the entire submission submitted April 03, 2025 08:40:02am ET, and is formatted for ease of viewing and printing.

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## Contact information

<b>First name</b>	Sherman
<b>Last name</b>	Startz
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<b>Company/Organization</b>	SELF -- PRO SE APPEALANT
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## Request

<b>Request ID</b>	2051896
<b>Confirmation ID</b>	2055351

Received 4/3/25

Please provide the audit reports for the following audits performed by your office or reported to your office for the following Audit Reports. Audit Report No. 05931-2022J17200001 – Oct 24, 2022 Audit Report No. 02391-2022F10100001 – Dec 9, 2022 Audit Report No. 04671-2022A17100002 – Feb 15, 2022 Audit Report No. 01721-2022D17200001 – Feb 24, 2023 Audit Report No. 03971-2021B10100863 – Feb 28, 2023 Audit Report No. 03451-2022E10100001 – April 12, 2024 Audit Report No. 09541-2023M17900002 – April 22, 2024 Audit Report No. 04281-2024S17200001 – April 29, 2024 Audit Report No. 07911-2022L10100001 – May 16, 2024 Audit Report No. 5211-2022A10100001 – May 29, 2024 Audit Report No. 05941-2022H10100001 – May 29, 2024 Audit Report No. 01451-2022Q10100006 – June 4, 2024 Audit Report No. 06851-2022A10100003 – June 13, 2024 Audit Report No. 09851-2022D10100016 – June 20, 2024 Audit Report No. 01361-2022M10100010 – June 24, 2024 Audit Report No. 09521-2022J10100002 – June 26, 2024 Audit Report No. 03451-2022D101000001 – June 27, 2024 Audit Report No. 01101-2022F10100006 – June 28, 2024 Audit Report No. 05311-2023T17900002 – June 28, 2024 Audit Report No. 09311-2022Q10100004 – July 12, 2024 Audit Report No. 05711-2022A42000009 – July 18, 2024 Audit Report No. 02871-2022A10100003 – Aug 28, 2024 Audit Report No. 02851-2022A10100003 – Sept 7, 2024 Audit Report No. 01881-2015Q10100001 – Sept 26, 2024 Audit Report No. 01881-2023Q10100001 – Sept 27, 2024 Audit Report No. 03531-2022A10100008 – Sept 30, 2024 Thank you

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## Request description

## Supporting documentation

### Additional Information

FOIA ATTACHMENT 2.pdf

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### Fees

#### Request category ID

other

#### Fee waiver

yes

#### Explanation

I am unable to pay any amount, please consider my request for fee waiver.

#### Willing to pay

0.00

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## **Expedited processing**

**Expedited Processing** no

## APPENDIX B: CONTRACT AUDITS

### Final Completed Contract or Contract-Related Audits Containing Significant Findings

During the reporting period, the DoD OIG issued one and the Defense Contract Audit Agency (DCAA) issued five final, completed contract audit reports to contracting activities containing significant audit findings. To view the DoD OIG report, click on the report number.

#### DoD OIG

<b>Audit Report No. DODIG-2023-006</b>	<b>Date:</b> October 19, 2022
<b>Subject:</b> Audit of Department of Defense Federal Mall Purchases	
<b>Report:</b> \$13.8 Million in Funds Put to Better Use; \$603,335 Wasted Funds; and \$367,081 Questioned Costs	
<p>The DoD OIG issued a report that discussed the Defense Logistics Agency's oversight of the Federal Mall, which is an e-commerce ordering system that allows registered users to acquire products from government and commercial sources. The audit determined that DoD activities purchased items that vendors added to their catalogs without approval and at prices that the Defense Logistics Agency had not approved. The audit identified \$367,081 in questioned costs when Federal Mall vendors violated contract terms by increasing prices without approval. Additionally, the audit determined that the Army may have inappropriately purchased items from the Federal Mall using Military Standard Requisitioning and Issue Procedures. The audit identified \$23.9 million in potential monetary benefits and another \$603,335 in wasted funds. After the DoD OIG issued the final report, the DoD OIG and the Army agreed that the \$23.9 million in purchases were not prohibited; however, the Army identified \$13.8 million in funds that could potentially have been put to better use for readiness needs.</p>	

#### DCAA

<b>Audit Report No. 05931-2022J17200001</b>	<b>Date:</b> October 24, 2022
<b>Subject:</b> Independent Audit Report on Proposed Amounts in Contractor's Request for Equitable Adjustment Proposal	
<b>Prepared for:</b> Naval Sea Systems Command (NAVSEA)	
<b>Report:</b> \$13.5 Million Total Questioned Costs	
<p>The Defense Contract Audit Agency (DCAA) identified \$13.5 million in questioned costs related to direct labor, direct materials, temp labor, subcontract costs, indirect costs, and profit, in noncompliance with Defense Federal Acquisition Regulation Supplement (DFARS) 252.243-7001, "Pricing of Contract Modifications"; Federal Acquisition Regulation (FAR) 31.201-2, "Determining Allowability"; FAR 31.201-3(a), "Determining Reasonableness"; and FAR 31.201-4, "Determining Allocability." The contractor was unable to provide supporting documentation to show that its proposed costs were incurred for the subject contract.</p>	

<b>Audit Report No. 02391-2020F10100001</b>	<b>Date:</b> December 9, 2022
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Contractor Fiscal Year 2020	
<b>Prepared for:</b> Defense Contract Management Agency (DCMA)	
<b>Report:</b> \$35.2 Million Total Questioned Costs	
<p>The DCAA identified \$35.2 million questioned costs relating to state and local taxes, executive compensation, direct labor, direct material, travel costs, and indirect costs. The DCAA's significant findings included \$32 million related to overstated state and local income taxes that the contractor either did not incur or was unable to support with records such as tax returns, in noncompliance with FAR 31.201-2, "Determining Allowability"; FAR 31.201-3, "Determining Reasonableness"; and FAR 31.205-41, "Taxes." Other significant findings included \$1.6 million in questioned direct materials for which the contractor failed to provide essential supporting documentation, in noncompliance with FAR 31.201-2.</p>	

<b>Audit Report No. 04671-2022A17100002</b>	<b>Date:</b> February 15, 2023
<b>Subject:</b> Independent Audit Report on Proposed Amounts in Contractor's Termination for Convenience Proposal	
<b>Prepared for:</b> U.S. Army Corps of Engineers (USACE)	
<b>Report:</b> \$114.2 Million Total Questioned Costs	
<p>The DCAA identified \$114.2 million in questioned costs related to direct labor, equipment, subcontracts, indirect costs, and profit. The DCAA's significant findings included \$66.6 million of questioned subcontract costs incurred by a wholly owned subsidiary. The contractor was unable to provide sufficient documentation to show that the costs were incurred and allocable to the contract, in noncompliance with FAR 31.201-2, "Determining Allowability," and FAR 31.201-4, "Determining Allocability." Other significant findings included \$37 million of questioned profit the contractor applied to settlement and suspension costs in noncompliance with FAR 49.202(a), "Profit," and FAR 52.242-14(b), "Suspension of Work," and \$9 million of questioned profit associated with related party costs which the contractor transferred at price rather than cost, in noncompliance FAR 31.205-26(e), "Material Costs."</p>	

<b>Audit Report No. 01721-2022D17200001</b>	<b>Date:</b> February 24, 2023
<b>Subject:</b> Independent Audit Report on Proposed Amounts in Contractor's Request for Equitable Adjustment Proposals	
<b>Prepared for:</b> U.S. Army Corps of Engineers (USACE)	
<b>Report:</b> €23.8 Million Total Questioned Costs	
<p>The DCAA identified €23.8 million (Euros) in questioned costs related to labor, other direct costs (ODCs), and subcontract costs. The DCAA's significant findings included €7.4 million of questioned labor costs, €6.4 million of questioned ODCs, and €3.6 million of questioned subcontract costs that the contractor either duplicated or was unable to provide supporting documentation for, in noncompliance with FAR 31.201-2, "Determining Allowability;" FAR 31.201-3, "Determining Reasonableness;" and FAR 31.201-4, "Determining Allocability."</p>	

<b>Audit Report No. 03971-2021B10100863</b>	<b>Date:</b> February 28, 2023
<b>Subject:</b> Independent Audit Report on Proposed Corporate Allocations to Unsettled Flexibly Priced Contracts for Contractor Fiscal Year 2021	
<b>Prepared for:</b> Defense Contract Management Agency (DCMA)	
<b>Report:</b> \$10.8 Million Total Questioned Costs	
<p>The DCAA identified \$15.5 million in questioned corporate allocations and a \$4.7 million upward adjustment to corporate allocations. The DCAA's significant findings included \$14.7 million related to a gain on the contractor's investment in a spin-off company for which the contractor failed to provide a credit to the government, in noncompliance with FAR 31.205-16(a), "Gains and Losses on Disposition or Impairment of Depreciable Property or Other Capital Assets." Other significant findings included \$778,000 in year-end journal entries for which the contractor was unable to provide supporting documentation, in noncompliance with FAR 31.201-2, "Determining Allowability."</p>	

## APPENDIX B: CONTRACT AUDITS

### Final Completed Contract or Contract-Related Audits Containing Significant Findings

During the reporting period, the DoD OIG issued 5 and the Defense Contract Audit Agency (DCAA) issued 21 final, completed contract audit reports to contracting activities containing significant audit findings.

#### DoD OIG

<b>Audit Report No. DODIG-2024-083</b>	<b>Date:</b> May 24, 2024
<b>Subject:</b> Audit of the Army's Management of Army Prepositioned Stock-5 Equipment	
<b>Report:</b> \$134.4 Million in Questioned and Unsupported Costs	
<p>The DoD OIG determined that the Army did not consistently or effectively manage the contractor's execution of the storage, maintenance, and accountability of Army Prepositioned Stock-5 (APS-5) equipment in Kuwait according to Army policy. Specifically, the contractor did not protect nearly 5,900 pieces of equipment from environmental conditions, perform required maintenance on equipment and weapons, or accurately account for weapons and sensitive items. As a result, the Army issued APS-5 equipment that was not mission-ready to military units in Syria and the U.S. European Command. In addition, despite issuing 157 nonconformance reports over 6 years, Army contracting officials never enforced a provision of the APS-5 contract intended to hold the contractor accountable for poor performance through reduction of the contractor's fixed fees—fees that, based on the terms of the contract, could total nearly \$1 million. The DoD OIG also determined that Army contracting officials did not review invoices before payment. As a result, the Army does not have assurance that more than \$130 million paid to the APS-5 contractor resulted in receipt of contracted services.</p>	

<b>Audit Report No. DODIG-2024-096</b>	<b>Date:</b> June 13, 2024
<b>Subject:</b> Audit of Financial Improvement and Audit Remediation Contracts for DoD Components	
<p>The DoD OIG determined that DoD Components did not effectively manage Financial Improvement and Audit Remediation (FIAR) contracts, and as a result, DoD Components could not accurately or consistently identify and report contracts as supporting FIAR efforts. Additionally, the DoD Components did not use FIAR contract resources efficiently to meet FIAR goals, and DoD Components reported spending more than \$75 million of FIAR contract funds on non-remediation efforts in FY 2022.</p>	

<b>Audit Report No. DODIG-2024-108</b>	<b>Date:</b> July 15, 2024
<b>Subject:</b> Management Advisory: Audit of Remote Maintenance and Distribution Cell—Ukraine Restructuring Contract Invoice Oversight	
<b>Report:</b> \$29,772 in Questioned Costs	
<p>The DoD OIG issued its third and final management advisory related to the objective. Specifically, the DoD OIG identified issues that resulted in multiple improper payments at the Remote Maintenance and Distribution Cell—Ukraine (RDC-U) in Jasionka, Poland. From February to July 2023, Army contracting personnel did not properly review contractor invoices totaling \$20 million, despite known requirements and established best practices. As a result, the Army did not have assurance that the \$20 million paid to the contractor as of July 2023 resulted in contractually compliant maintenance and labor services, equipment purchases, or travel. Additionally, Army personnel made nearly \$30,000 in improper payments on labor invoices.</p>	

<b>Audit Report No. DODIG-2024-122</b>	<b>Date:</b> August 21, 2024
<b>Subject:</b> Audit of Repair Pricing on the F/A-18 Hornet Radar Systems	
<b>Report:</b> \$3.93 Million in Funds Put to Better Use	
The DoD OIG determined that the Department of the Navy did not obtain fair and reasonable pricing for repairs of the AN/APG-65 and AN/APG-73, all-weather, multimode airborne radar systems on the F/A-18 Hornet. While Naval Supply Systems Command Weapon Systems Support (NAVSUP WSS) followed Federal Acquisition Regulation price reasonableness determination requirements, it failed to obtain fair and reasonable prices for repairing 53 percent of parts worth nearly \$33 million. As a result, NAVSUP WSS overpaid at least \$3.93 million for part repairs.	

<b>Audit Report No. DODIG-2024-123</b>	<b>Date:</b> August 27, 2024
<b>Subject:</b> Audit of Air Force Defective Parts and Contractor Restitution	
<b>Report:</b> \$3.7 Million in Questioned Costs	
The DoD OIG determined that the Air Force did not consistently hold contractors accountable in a timely manner for providing defective spare parts, nor did it obtain restitution from the contractors for those defective parts. Air Force deficiency reporting personnel were unable to provide evidence of contractor restitution for 77 defective parts valued at approximately \$500,000, resulting in questioned costs. In another case, the Air Force did not seek restitution for 45 defective C-130J Super Hercules aircraft parts valued at \$5.9 million. As a result, the Air Force was unable to recover \$3 million for defective parts and paid approximately \$200,000 to repair defective parts that the contractor should have repaired under warranty.	

## DCAA

<b>Audit Report No. 03451-2022E10100001</b>	<b>Date:</b> April 12, 2024
<b>Subject:</b> Independent Audit Report on Contractors Proposed Amounts on Unsettled Flexibly Priced Contracts for Contractor Fiscal Year 2022	
<b>Prepared for:</b> United States Coast Guard (USCG)	
<b>Report:</b> \$12.7 Million in Total Questioned Costs	
The DCAA identified \$12.7 million in questioned costs related to direct and indirect labor, executive compensation, subcontracts, bid and proposal costs. The DCAA's significant findings included \$6.0 million in questioned costs related to unreasonable compensation, in noncompliance with Federal Acquisition Regulation (FAR) 31.201-3, Determining Reasonableness. Other significant findings included \$3.6 million in questioned costs related to subcontract costs for which the contractor did not comply with contract terms, in noncompliance with FAR 31.201-2, Determining Allowability. The DCAA's findings also identified \$2.9 million in overtime where the contractor did not request prior approval from the Contracting Officer and the contractor utilized significant overtime as part of its regular business practice, in noncompliance with FAR 31.201-2, Determining Allowability and FAR 31.201-3, Determining Reasonableness.	

<b>Audit Report No. 09541-2023M17900002</b>	<b>Date:</b> April 22, 2024
<b>Subject:</b> Independent Audit Report on Contractor's Government Participation Percentage per CAS 413 Salaried Pension Plan Segment Closing Link Segment Advanced Agreement Proposal	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$22 Million Total Questioned Costs	
The DCAA identified \$22 million questioned costs due to the contractor's noncompliance with the requirements of Cost Accounting Standards 413-50(c)(12)(vi), Pension Costs and FAR 52.215-15, Pension Adjustments and Asset Reversions. The DCAA found that the Government's participation in the contractor's business base is 92.14 percent, instead of the 33.84 percent proposed, an upward adjustment of 58.3 percentage points. The contractor's proposed Government participation percentage only considered cost-type contracts and excluded the impact of pension costs allocated to fixed priced Government contracts.	

## APPENDIX B

<b>Audit Report No. 04281-2024S17200001</b>	<b>Date:</b> April 29, 2024
<b>Subject:</b> Independent Audit Report on Claimed Amounts in Contractor's Nine Equitable Adjustment Claims	
<b>Prepared for:</b> U.S. Army Corps of Engineers (USACE)-Europe District	
<b>Report:</b> \$13.4 Million Total Questioned Costs	
The DCAA identified \$13.4 million in questioned costs related to labor, Other Direct Costs (ODCs), and subcontract Daily Burn Rates, labor overhead, General and Administration (G&A) costs, builders risk, associated profit/fees, bond costs, and liquidated damages. The DCAA's significant findings include \$9.9 million in questioned costs related to labor, ODC, and subcontract Daily Burn Rates because the contractor did not appropriately allocate costs of maintaining general conditions to the benefiting claims resulting in overlapping and duplicate costs claimed in noncompliance with FAR 31.201-2, Determining Allowability; FAR 31.201-3, Reasonableness; and FAR 31.201-4, Determining Allocability. Other significant findings include \$2.1 million in questioned indirect costs related to labor overhead and G&A costs due to the application final indirect rates to the questioned labor costs, ODCs, and subcontract costs.	

<b>Audit Report No. 07911-2022L10100001</b>	<b>Date:</b> May 16, 2024
<b>Subject:</b> Independent Audit Report on Contractor Proposed Segment Contract Amounts on Unsettled Flexibly Priced Contracts and Facilities Capital Cost of Money for FY 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$15.7 Million Total Questioned Costs	
The DCAA identified \$15.7 million in questioned direct costs related to Strategic Partnership Supplier Fees. The DCAA's significant findings include \$15.7 million in questioned costs related to Subcontract Cost fees expressly unallowable as stated in the contract, in noncompliance with FAR 31.201-2(a)(4), Determining Allowability. While the contractor did not bill the Government for the fees, the contractor has continued to include the fees within their incurred cost proposals as a reimbursable cost.	

<b>Audit Report No. 5211-2022A10100001</b>	<b>Date:</b> May 29, 2024
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$60.7 Million Total Questioned Costs	
The DCAA identified \$60.7 million in questioned costs related to freight for noncompliance with FAR 31.201-2(a)(4), Determining Allowability; FAR 52.247-63, Preference for U.S. Flag Carriers; and DFARS 252.247-7023(b)(1) Transportation of Supplies by Sea. The contractor used service by foreign-flag carriers to ship freight. Additionally, the contractor did not provide a justification, as required by Fly America Act (49 U.S.C. 40118) and FAR 52.247-63(b), explaining why service by U.S.-flag air carriers was not available, or why it was necessary to use foreign-flag air carriers.	

<b>Audit Report No. 05941-2022H10100001</b>	<b>Date:</b> May 29, 2024
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$18 Million Total Questioned Costs	
The DCAA identified \$14 million in questioned costs related to Outside Business and Professional Services, Executive Compensation, G&A Base, ODC Miscellaneous Direct, Transportation Allowance Payments, and ODC Direct Travel. The DCAA's significant findings include \$4.8 million in questioned costs related to executive compensation for Global Grades (GG) 14 and above in excess of the calculated reasonable Total Direct Compensation amount, which includes a 10 percent range of reasonableness, in noncompliance with FAR 31.205-6(b)(2), Compensation for Personal Services.	

<b>Audit Report No. 01451-2022Q10100006</b>	<b>Date:</b> June 4, 2024
<b>Subject:</b> Independent Accountant's Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year Ended March 31, 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$13.9 Million Total Questioned Costs	
The independent public accountant (IPA) identified \$13.9 million of questioned costs due to inadequate supporting documentation to substantiate subcontract costs proposed in the Fiscal Year 2022 incurred cost proposal. The IPA questioned \$13.4 million of subcontract costs due to inadequate support in direct costs to in scope contracts, plus additional costs due to applied Subcontractor/Material Handling costs based on FAR 31.201-2, Determining Allowability; FAR 31.201-3, Determining Reasonableness; and FAR 31.201-4, Determining Allocability.	

<b>Audit Report No. 06851-2022A10100003</b>	<b>Date:</b> June 13, 2024
<b>Subject:</b> Independent Audit Report on Contractor's Proposed Local Indirect Costs including Executive and Non-Executive Compensation, Direct Labor, Procurement, Subcontracts, Incoming Intercompany Work Orders (IWOs), and Other Direct Costs (ODCs) Amounts on Unsettled Flexibly Priced Contracts for Calendar Year 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$40.8 Million Total Questioned Costs	
The DCAA identified \$40.8 million in questioned costs related to indirect expenses, ODCs, subcontracts, and Intercompany Work Orders. The DCAA's significant findings included \$24.5M of questioned costs related to Independent Research & Development (IR&D) costs resulting from: (1) unallowable IR&D costs due to lack of registration in the Defense Technical Information Center webpage; and (2) unallowable IR&D costs that were not incurred in the calendar year 2022, in noncompliance with FAR 31.205-18, and DFARS 231.205-18, Independent Research and Development and Bid and Proposal Costs. Other significant findings included \$7.9 million in questioned costs related to the proposed loss on disposition of assets on the sale of a portion of impaired buildings and other assets from environmental damages, which have no value to the Government in noncompliance with FAR 31.205-16, Gains and Losses on Disposition or Impairment of Depreciable Property or Other Capital Assets.	

<b>Audit Report No. 09851-2022D10100016</b>	<b>Date:</b> June 20, 2024
<b>Subject:</b> Independent Audit Report on Contractor's Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2022	
<b>Prepared for:</b> FD Customer	
<b>Report:</b> \$10.5 Million Total Questioned Costs	
The DCAA identified \$10.5 million in questioned cost related to direct contract costs and allocated indirect costs. The DCAA's significant findings included \$10.5 million in questioned costs related to eight labor categories which exceeded the reasonable non-executive compensation amount based on DCAA market analysis in accordance with FAR 31.205-6(b)(2), Compensation for Personal Services.	

## APPENDIX B

<b>Audit Report No. 01361-2022M10100010</b>	<b>Date:</b> June 24, 2024
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2022	
<b>Prepared for:</b> Defense Contract Management Agency Cost & Pricing Regional Command	
<b>Report:</b> \$12.4 Million Total Questioned Costs	
The DCAA identified \$12.4 million in questioned costs related to non-qualified retirement benefit costs, annual meeting costs related to entertainment, public relations and advertising costs, operating lease expenses and residual claimed expenses in excess of fixed assets. The DCAA's significant findings included \$10.9 million in questioned costs due to non-qualified retirement benefits for Spillover Pension and the Supplemental Executive Retirement Plan benefits calculated over the compensation limits in noncompliance with FAR 31.201-6(a), Accounting for Unallowable Costs. Other significant findings included \$1.2 million in questioned costs related to annual management meetings and meeting expenses comprised of costs related to entertainment, public relations and advertising, and their associated costs in noncompliance with FAR 31.205-14 Entertainment Costs, FAR 31.201-6 Accounting for Unallowable Costs, FAR 31.201-3 Determining Reasonableness, and FAR 31.201-2 Determining Allowability.	

<b>Audit Report No. 09521-2022J10100002</b>	<b>Date:</b> June 26, 2024
<b>Subject:</b> Independent Audit Report on Contractor's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$26.1 Million Net Questioned Costs	
The DCAA identified \$29.4 million in questioned costs related to Professional Services. The DCAA's significant findings included \$27.6 million in questioned costs related to internal disputes, lawsuits, and a proxy fight between the Board of Directors, chairman, and president in noncompliance with FAR 31.205-33, Professional and Consultant Service Costs, and FAR 31.201-2, Determining Allowability. Other significant findings included commitment fees to reserve a \$650 million revolving line of credit, with no documented borrowing history or evidence of usage need due to adequate government contracting funding and positive working capital cash, in noncompliance with FAR 31.201-3, Determining Reasonableness.	

<b>Audit Report No. 03451-2022D101000001</b>	<b>Date:</b> June 27, 2024
<b>Subject:</b> Independent Audit Report on Contractor's Proposed Amounts on Unsettled Flexibly Priced Contracts for Contractor Fiscal Year (CFY) 2022	
<b>Prepared for:</b> Supervisory of Shipbuilding Gulf Coast (SUPSHIP)	
<b>Report:</b> \$24.7 Million Total Questioned Costs	
The DCAA identified \$24.7 million in questioned costs related to indirect costs associated with material. The DCAA's significant findings included \$17.1 million in questioned indirect costs related to direct material the contractor failed to issue and/or consume which resulted in material being billed to contracts without a need to fulfill the production plan. Other significant findings included \$7.1 million in questioned indirect costs related to excess material that the contractor billed to contracts without a need to fulfill the production plan and failed to dispose of the excess inventory and credit Government Contracts. All indirect costs associated with material are in noncompliance with FAR 31.201-3, Determining Reasonableness and FAR 31.201-4, Determining Allocability.	

<b>Audit Report No. 01101-2022F10100006</b>	<b>Date:</b> June 28, 2024
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$21 Million Total Questioned Costs	
<p>The DCAA identified \$21 million in questioned proposed inter-organizational costs. The DCAA's significant findings included \$11 million in questioned costs related to direct material and \$9 million of questioned costs related to other direct costs plus directly associated indirect costs all related to the inter-organizational costs in noncompliance with FAR 31.201-2(d), Determining Allowability and 31.201-6, Accounting for Unallowable Costs. The DCAA questioned these costs due to the contractor not providing adequate supporting documentation for the proposed inter-organizational costs transferred.</p>	

<b>Audit Report No. 05311-2023T17900002</b>	<b>Date:</b> June 28, 2024
<b>Subject:</b> Independent Audit Report on Compliance with Solicitation Terms Related to Pricing	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$12.5 Million Total Questioned Costs	
<p>The DCAA identified \$12.5 million in questioned costs related to direct labor, direct material, and related Cost Estimating Relationship factored material costs, other Interorganizational Work Transfer Agreement costs, and indirect costs. The DCAA's significant findings include \$10.6 million in questioned direct material costs due to costs identified as being in noncompliance with FAR 31.201-3, Determining Reasonableness. Of the questioned amount, \$9.9 million was questioned due to more current data related to proposed subcontractor costs.</p>	

<b>Audit Report No. 09311-2022Q10100004</b>	<b>Date:</b> July 12, 2024
<b>Subject:</b> Independent Audit Report on Contractor's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year (FY) 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$16 Million Total Questioned Costs	
<p>The DCAA identified \$16 million in questioned costs related to bonuses and home office allocation costs. The DCAA's significant findings included \$15.4 million in questioned costs related to proposed bonus costs that the contractor failed to provide adequate support for the basis of the award, in noncompliance with FAR 31.205-6(f)(1)(ii), Compensation for Personal Services. Other significant findings included \$657,000 in questioned costs related to the home office allocation, in which the contractor claimed more costs than what was identified in the contractor's Home Office incurred cost submission, in noncompliance with FAR 31.201-2, Determining Allowability.</p>	

<b>Audit Report No. 05711-2022A42000009</b>	<b>Date:</b> July 18, 2024
<b>Subject:</b> Independent Audit Report on Certified Cost or Pricing Data CH-53K LRIP LOT 4	
<b>Prepared for:</b> Naval Air Systems Command (NAVAIR)	
<b>Report:</b> \$18.8 Million Recommended Price Adjustment	
<p>The DCAA identified a \$18.8 million recommended price adjustment for contractor proposed cost or pricing data that was not accurate, complete, and current. This resulted in a noncompliance with 10 U.S.C. chapter 271: Truthful Cost or Pricing Data (Truth in Negotiations). Of the recommended price adjustment, \$13.9 million was related to Direct Materials based on the DCAA's review of the contractors' buyer files.</p>	

## APPENDIX B

<b>Audit Report No. 02871-2022A10100003</b>	<b>Date:</b> August 28, 2024
<b>Subject:</b> Independent Audit Report on Intermediate Level Home Office Allocations to Unsettled Flexibly Priced Contracts for Contractor Calendar Year 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$17.5 Million Total Questioned Costs	
The DCAA identified \$17.5 million in questioned costs related to pension excess, outside legal and state tax costs. The DCAA's significant findings included \$17.2 million in questioned pension excess costs related to pension costs directly associated with unallowable compensation costs in excess of the limitations in FAR 31.205-6, Compensation for Personal Services, that the contractor failed to exclude from its pension excess costs, in noncompliance with FAR 31.201-6, Accounting for Unallowable Costs.	

<b>Audit Report No. 02851-2022A10100003</b>	<b>Date:</b> September 7, 2024
<b>Subject:</b> Independent Audit Report for Military Engines, including Manufacturing Operations, Engineering Technical Services, and Group Home Office Proposed Amounts on Unsettled Flexibly Priced Contracts for Contractor Fiscal Year (CFY) 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$23.4 Million Total Questioned Costs	
The DCAA identified \$23.4 million in questioned costs, related to corporate flow-down questioned costs, Group expenses, corporate adjustments, factory overhead, general and administrative (G&A), and engineering overhead expenses. The DCAA's significant findings included \$7.5 million in questioned costs related to Manufacturing Operations factory overhead expenses for which the contractor failed to provide the commercial item determination and did not identify the unallowable costs transferred between divisions, in noncompliance with FAR 31.205-26(e), Material Costs. Other significant findings included \$6.3 million in questioned costs related to the Manufacturing Operations G&A expense pool for which the contractor claimed material and engineering costs that did not benefit the Manufacturing Operations G&A expense pool, in noncompliance with FAR 31.205-22(a)(1), Lobbying and Political Activity Costs.	

<b>Audit Report No. 01881-2015Q10100001</b>	<b>Date:</b> September 26, 2024
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years Ended March 31, 2015, and March 31, 2016	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$46.2 Million Total Questioned Costs	
The DCAA identified \$46.2 million in questioned costs related to consulting, travel, independent research and development and bid and proposal costs, indirect labor and direct labor. The DCAA's significant findings included \$23.3 million in questioned costs related to IR&D costs that the contractor failed to comply with reporting requirements in noncompliance with DFARS 231.205-18, Independent Research and Development and Bid and Proposal Costs. Other significant findings included \$5.7 million in indirect labor costs and \$5 million in direct labor costs for which the contractor failed to provide essential supporting documentation, in noncompliance with FAR 31.205-6, Compensation for Personal Services, and FAR 31.201-3, Determining Reasonableness. Additional significant findings included \$8.5 million in questioned costs related to overseas travel for which the contractor failed to provide essential supporting documents, in noncompliance with FAR 31.201-2, Determining Allowability.	

<b>Audit Report No. 01881-2023Q10100001</b>	<b>Date:</b> September 27, 2024
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Contractor Fiscal Year 2023	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$22.3 Million Total Questioned Costs	
<p>The DCAA identified \$22.3 million in questioned costs related to excessive direct and indirect labor, state and local taxes, medical expenses, holiday pay, unreasonable compensation and excessive overseas housing expenses. The DCAA's significant findings included \$11.3 million in questioned costs related excessive direct and indirect labor expenses where the contractor's policy did not require employees to work minimum hours in each pay period and were not adjusted to coincide with the actual hours worked, in noncompliance with FAR 31.201-6(a)(3), and Compensation for personal services and FAR 31.201.3, Determining Reasonableness. Other significant findings included \$1.9 million in questioned costs related to out of period medical expenses that exceeded the amount on the vendor invoices and were out of period costs, in noncompliance with FAR 31.201-2(d) Determining Allowability and FAR 31.201-4(b), Determining Allocability.</p>	

<b>Audit Report No. 03531-2022A10100008</b>	<b>Date:</b> September 30, 2024
<b>Subject:</b> Independent Audit Report on Home Office Allocations to Unsettled Flexibly Priced Contracts for Contractor Fiscal Year 2022	
<b>Prepared for:</b> Defense Contract Management Agency	
<b>Report:</b> \$11.5 Million Total Questioned Costs	
<p>The DCAA identified \$11.5 million in questioned costs related to organizational costs and professional services. The DCAA's significant findings included \$2.2 million in questioned costs related to professional services that were accrued before the third-party services were performed, in noncompliance with FAR 31.201-4, Determining Allocability. Other significant findings included \$3.9 million in questioned costs related to a recent contractor merger which are not allowable in accordance with FAR 31.205-27, Organizational Costs.</p>	

# **Attachment**

## **2**

# **Attachment**

## **3**



## DEFENSE CONTRACT AUDIT AGENCY

8725 JOHN J. KINGMAN ROAD, SUITE 2135  
FT. BELVOIR, VA 22060-6219

IN REPLY REFER TO:

DL 502.4  
I-25-079-H

May 1, 2025

Mr. Sherman Startz  
550 Lebo Boulevard  
Apartment #34  
Bremerton, WA 98310

Dear Mr. Startz:

This is a final response to your Freedom of Information Act request dated April 3, 2025 (DCAA FOIA Case Number I-25-079-H). You are seeking the following DCAA audit reports:

Audit Report No. 05931-2022J17200001 – Oct 24, 2022  
Audit Report No. 02391-2022F10100001 – Dec 9, 2022  
Audit Report No. 04671-2022A17100002 – Feb 15, 2022  
Audit Report No. 01721-2022D17200001 – Feb 24, 2023  
Audit Report No. 03971-2021B10100863 – Feb 28, 2023  
Audit Report No. 03451-2022E10100001 – April 12, 2024  
Audit Report No. 09541-2023M17900002 – April 22, 2024  
Audit Report No. 04281-2024S17200001 – April 29, 2024  
Audit Report No. 07911-2022L10100001 – May 16, 2024  
Audit Report No. 5211-2022A10100001 – May 29, 2024  
Audit Report No. 05941-2022H10100001 – May 29, 2024  
Audit Report No. 01451-2022Q10100006 – June 4, 2024  
Audit Report No. 06851-2022A10100003 – June 13, 2024  
Audit Report No. 09851-2022D10100016 – June 20, 2024  
Audit Report No. 01361-2022M10100010 – June 24, 2024  
Audit Report No. 09521-2022J10100002 – June 26, 2024  
Audit Report No. 03451-2022D101000001 – June 27, 2024  
Audit Report No. 01101-2022F10100006 – June 28, 2024  
Audit Report No. 05311-2023T17900002 – June 28, 2024  
Audit Report No. 09311-2022Q10100004 – July 12, 2024  
Audit Report No. 05711-2022A42000009 – July 18, 2024  
Audit Report No. 02871-2022A10100003 – Aug 28, 2024  
Audit Report No. 02851-2022A10100003 – Sept 7, 2024  
Audit Report No. 01881-2015Q10100001 – Sept 26, 2024  
Audit Report No. 01881-2023Q10100001 – Sept 27, 2024  
Audit Report No. 03531-2022A10100008 – Sept 30, 2024

The DCAA audit reports responsive to your request are the property of and are prepared for the use of contracting activities. The contracting activities operate their own FOIA offices and have cognizance over the reports you have requested. Your request and the responsive documents have been sent to the agencies at the address listed below for evaluation and potential release. Those offices will provide you with appeal procedures for any information they withhold from you. Copies of the referral memorandums are enclosed:

Defense Contract Management Agency  
DCC, Attn: FOIA Officer  
3901 A Avenue  
Fort Gregg-Adams, VA 23801

Email: [dcma.gregg-adams.hq.mbx.dcma-foia@mail.mil](mailto:dcma.gregg-adams.hq.mbx.dcma-foia@mail.mil)

U.S. Army Corps of Engineers  
CELRN-OC  
7701 Telegraph Road  
Alexandria, VA 22315-3860

Email: [foia@usace.army.mil](mailto:foia@usace.army.mil)

Naval Sea Systems Command  
SEA 00A5, FOIA/Privacy Program Division  
1333 Isaac Hull Avenue, SE  
Washington Navy Yard, DC 20376-2101

Email: [NAVSEAFOIA@navy.mil](mailto:NAVSEAFOIA@navy.mil)

Naval Air Systems Command  
NAWCAD Operations and Command Staff Office  
Attn: FOIA Office  
2347 Cedar Point Road  
Building 2185, Room 2230  
Patuxent River, MD 20670

Email: [usn.patuxent.comnavairsyscompax.mbx.navair-nawcad-foia@us.navy.mil](mailto:usn.patuxent.comnavairsyscompax.mbx.navair-nawcad-foia@us.navy.mil)

Supervisor of Shipbuilding Gulf Coast  
ATTN: FOIA Coordinator, Code 130  
P.O. Box 7003  
Pascagoula, MS 39568-7003

Email: [mary.j.gibson14.civ@us.navy.mil](mailto:mary.j.gibson14.civ@us.navy.mil)

United States Coast Guard  
Attn: FOIA Coordinator  
Commandant (CG-611)  
2703 Martin Luther King Jr. Avenue, SE  
Stop 7710  
Washington, DC 20593-7710

Email: [efoia@uscg.mil](mailto:efoia@uscg.mil)

We are currently consulting with another agency regarding a responsive audit report. We will respond to you once the review is complete and disclosure determinations are finalized.

If you have any questions regarding the processing of this request by DCAA, you may contact the DCAA FOIA Public Liaison, Ms. Temple L. Wilson, at the above address. If you have any further questions regarding this matter, please contact me at 571-448-3153.

Sincerely,

*Keith Mastromichalis*

Keith O. Mastromichalis  
Chief FOIA Officer  
DCAA Office of General Counsel

Enclosure:

I-25-079-H Referral Memorandums