

# APPENDIX B: CONTRACT AUDITS

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

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

### DoD OIG

<b>Audit Report No. DODIG-2024-042</b>	<b>Date:</b> January 9, 2024
<b>Subject:</b> Audit of Army Oversight of the DoD Language Interpretation and Translation Enterprise II Contract	
The DoD OIG issued a report identifying that oversight officials for the Army Contracting Command–Detroit Arsenal and Contract Linguist and Intelligence Program Support Office provided effective oversight of the DLITE II contractor fill rates for linguists from March 2021 through February 2022 for three contractors. However, oversight officials did not document contractor performance in monthly reports in accordance with designation letter and quality assurance surveillance plan requirements, and officials did not complete annual contractor performance evaluations in a timely manner. In addition, oversight officials did not properly address, in a timely manner, and fully document alleged security incidents for three linguists on one contract. This occurred because of a lack of guidance and a preference among the oversight officials for oral feedback instead of documenting contractor performance, and oversight officials did not establish a process to ensure consistent reporting, reviewing, and documenting the resolution of alleged security incidents involving contracted linguists in a timely manner. As a result of incomplete or partially completed monthly reports, there is an increased risk that the contracting officer’s representative and contracting officer may be unaware of potential issues regarding the task orders at the military end user level. Due to late annual contractor evaluations, there is a lack of past performance data that could impact the process for determining future awards. There is also risk of endangering U.S. military, Coalition, and civilian personnel, in addition to an increased risk that a linguist could leak classified information.	
<b>Audit Report No. DODIG-2024-045</b>	<b>Date:</b> January 12, 2024
<b>Subject:</b> Audit of DoD Use of the Government Purchase Card in Response to the Coronavirus Disease–2019 Pandemic	
<b>Report:</b> \$86.7 Million in Questioned Costs	
The DoD OIG issued a report stating that DoD cardholders made COVID-19 contingency operation purchases that did not always support the DoD’s response to the COVID-19 pandemic and did not maintain appropriate supporting documentation for purchases in accordance with Federal and DoD policies. These problems occurred because Government Purchase Card program officials did not conduct required oversight to identify and correct improper or unsupported purchases. As a result, the DoD OIG statistically projected with a 95 percent confidence level that \$86.7 million (36 percent) of \$242.6 million in questionable purchases: (1) did not support the DoD’s response to COVID-19, (2) had missing purchase card documentation, or (3) met both conditions.	

<b>Audit Report No. DODIG-2024-055</b>	<b>Date:</b> February 13, 2024
<b>Subject:</b> Audit of the DoD's Oversight of Cost-Plus-Award-Fee Contracts	
<b>Report:</b> \$1 Million in Questioned Costs	
<p>The DoD OIG issued a report finding that Army and Air Force contracting officials did not properly justify award fees paid for three contracts, which resulted in potential monetary benefits of at least \$872,309. Contracting officials also did not properly administer and manage 21 (78 percent) of 27 cost-plus-award-fee (CPAF) contracts reviewed, and the DoD did not accurately account for the universe of cost-plus-award-fee contracts and award fees paid to contractors. This occurred because: (1) the Army and Air Force did not have adequate controls to ensure that contracting officials complied with criteria related to the calculation and justification of award fees; (2) the Military Departments and Defense agencies did not have adequate controls to ensure that contracting officials complied with criteria related to the administration and management of CPAF contracts; and (3) Defense Pricing and Contracting did not establish and implement a DoD-wide solution to capture CPAF contract data. As a result, the officials made overpayments of at least \$872,309 on two contracts; an improper payment of \$1,978,267 on the third contract; and inappropriately obligated \$2.2 million.</p>	

<b>Audit Report No. DODIG-2024-059</b>	<b>Date:</b> February 22, 2024
<b>Subject:</b> Audit of DoD Afghanistan Contingency Contracts Closeout	
<b>Report:</b> \$3.7 Million in Funds Put to Better Use	
<p>The DoD OIG found that DoD contracting officials did not consistently close out the contingency contracts as required for the 30 contracts reviewed. Additionally, the DoD OIG determined that contingency contract data reported in the Federal Procurement Data System was unreliable and inaccurate. As a result, DoD contracting personnel did not always verify whether the DoD received what it contracted for or complete administrative requirements in a timely manner. The DoD also missed the opportunity to reprogram at least \$3.7 million in canceled funds to support other requirements.</p>	

## DCAA

<b>Audit Report No. 04181-2023D17200001</b>	<b>Date:</b> November 16, 2023
<b>Subject:</b> Independent Audit Report on Proposed Amounts in Contractor's Claim for Equitable Adjustment	
<b>Prepared for:</b> U.S. Army Corps of Engineers	
<b>Report:</b> \$182.4 Million in Total Questioned Costs	
<p>The DCAA identified \$182.4 million in questioned costs related to extended overhead, additional staffing, productivity costs, COVID direct charges, escalation costs, differing site conditions, electrical costs, and labor wage premium costs. The DCAA's significant findings included \$80 million in questioned costs related to escalation costs not authorized in the contract for which the contractor was unable to show a causal beneficial relationship, in noncompliance with Federal Acquisition Regulation (FAR) 31.201-2(a), "Determining Allowability." Other significant findings included \$33.5 million of forecasted costs included in the proposal that are not a sum certain (estimates of future costs that had not yet happened with no damages incurred), in noncompliance with FAR 52.233-1(c), "Disputes."</p>	

<b>Audit Report No. 03621-2022N17100003</b>	<b>Date:</b> November 17, 2023
<b>Subject:</b> Independent Audit Report on Proposed Amounts in Contractor's Termination Settlement Proposal	
<b>Prepared for:</b> U.S. Army Corps of Engineers	
<b>Report:</b> \$10.5 Million in Total Questioned Costs	
<p>The DCAA identified \$10.5 million in questioned costs related to direct labor, other direct costs, general and administrative expenses, and profit. The DCAA's significant findings included \$4.7 million in questioned direct labor costs, including bonus costs and directly associated costs, and \$1 million in questioned general and administrative expenses, for which the contractor failed to provide essential supporting documentation, in noncompliance with FAR 31.201-2, "Determining Allowability"; FAR 31.201-4, "Determining Allocability"; FAR 31.201-3, "Determining Reasonableness"; and FAR 31.205-6(f), "Compensation for Personal Services." Other significant findings included \$3.6 million in questioned profit directly associated with questioned performance costs, in noncompliance with FAR 31.201-6(a), "Accounting for Unallowable Costs."</p>	

<b>Audit Report No. 01451-2023D17900001</b>	<b>Date:</b> February 1, 2024
<b>Subject:</b> Independent Audit Report on Proposed Direct Amounts on Unsettled Flexibly Priced Contract for Contractor Fiscal Years 2019 and 2020	
<b>Prepared for:</b> U.S. Department of State	
<b>Report:</b> \$10.5 Million in Total Questioned Costs	
<p>The DCAA identified \$10.5 million in questioned costs related to Defense Base Act insurance premiums, direct costs over contract ceiling, travel entry and exit visas, and direct costs that were not allowable or reasonable. The DCAA's significant findings included \$7.8 million in questioned costs related to the difference between the Defense Base Act insurance premiums billed to contracts compared to the actual premiums charged after the insurance carrier audit, in noncompliance with FAR 31.201-2(d), "Determining Allowability." Other significant findings included \$1.1 million in questioned labor costs which exceeded contract ceiling amounts, in noncompliance with FAR 52.232-20(a), "Limitation of Cost."</p>	

<b>Audit Report No. 04581-2023G17100001-S1</b>	<b>Date:</b> February 22, 2024
<b>Subject:</b> Supplement to Independent Audit Report on Proposed Amounts in Contractor's Termination Settlement Proposal	
<b>Prepared for:</b> U.S. Army Corps of Engineers	
<b>Report:</b> \$13.8 Million in Total Questioned Costs	
<p>The DCAA identified \$13.8 million in questioned costs related to direct labor, indirect factory overhead, other costs, general and administrative expenses, and associated profit. The DCAA's significant findings included \$10.1 million of questioned costs related to proposed anticipatory profit which is not allowed in a fixed price terminated contract in accordance with FAR 49.202(a), "Profit." Other significant findings included \$2.4 million in questioned costs related to proposed unabsorbed overhead (indirect costs which would have been absorbed by the terminated contract) that the contractor inaccurately computed, in noncompliance with FAR 31.201-2, "Determining Allowability."</p>	