



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

May 22, 2018

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY

SUBJECT: Evaluation of Contracting Officer Actions on Penalties Recommended by Defense Contract Audit Agency (Project No. D2018-DAPOCF-0160.000)

We will begin the subject evaluation in May 2018.

Our objective is to determine whether Defense Contract Management Agency (DCMA) contracting officers are appropriately considering Defense Contract Audit Agency (DCAA) penalty recommendations and assessing or waiving penalties in accordance with the Federal Acquisition Regulation (FAR). FAR 42.709, "Penalties for Unallowable Costs," addresses the assessment of penalties against contractors that include unallowable indirect costs in final indirect cost rate proposals. To accomplish our objective, we plan to evaluate DCMA contracting officer actions on a representative sample of DCAA penalty recommendations reported in the last 3 years. We will perform site visits to selected DCMA field offices as we consider necessary and will consider suggestions from management on additional or revised objectives.

Please provide us with a point of contract for the evaluation within 5 days of the date of this memorandum.

You can obtain information about the Department of Defense Office of Inspector General from DoD Directive 5106.01, "Inspector General of the Department of Defense (IG DoD)," April 20, 2012, as amended; DoD Instruction 7600.02, "Audit Policies," October 16, 2014, as amended; and DoD Instruction 7050.03, "Office of the Inspector General of the Department of Defense Access to Records and Information," March 22, 2013. Our website is www.dodig.mil.



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