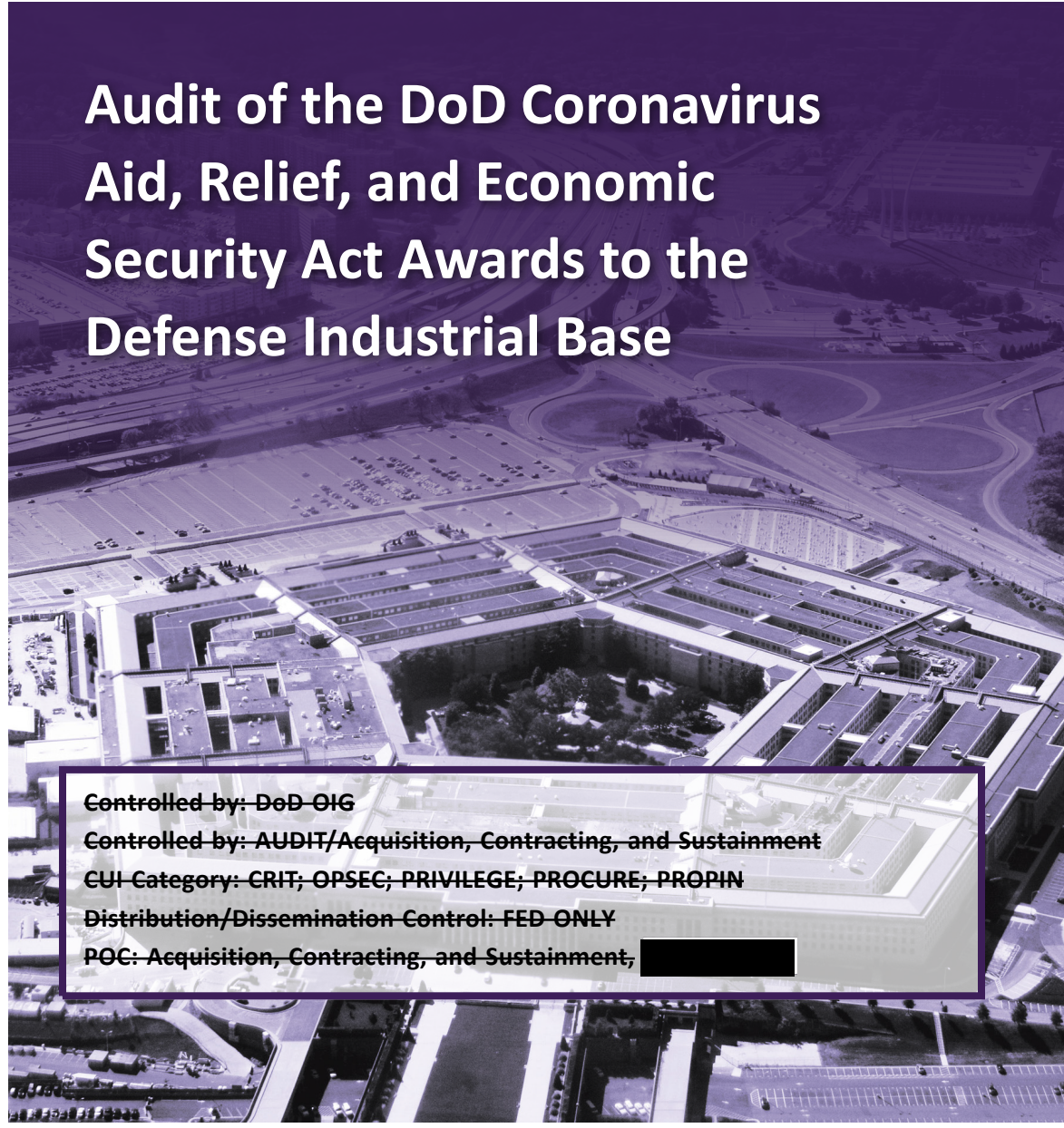


CUI

INSPECTOR GENERAL

U.S. Department of Defense

MAY 20, 2021



Audit of the DoD Coronavirus Aid, Relief, and Economic Security Act Awards to the Defense Industrial Base

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Results in Brief

Audit of the DoD Coronavirus Aid, Relief, and Economic Security Act Awards to the Defense Industrial Base

May 20, 2021

Objective

The objective of this audit was to determine whether the DoD awarded Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to sustain or increase the Defense Industrial Base (DIB) in accordance with Federal regulations and Defense Production Act (DPA) authorities.

Background

The DPA grants the President authorities to influence domestic industry in the interest of national defense. These authorities are used to support military preparedness and capability, but are also used for recovery from national emergencies, such as the coronavirus disease-2019 (COVID-19) pandemic. The DPA consists of multiple sections, including the DPA Title III authority, which is used to “create, maintain, protect, expand, or restore DIB capabilities essential for the national defense.”

~~(CUI)~~ The CARES Act, enacted on March 27, 2020, provided the DoD \$10.5 billion to prevent, prepare for, and respond to COVID-19, domestically and internationally. The CARES Act also included \$1 billion for DPA Title III actions. The DoD allocated \$687 million of the \$1 billion DPA Title III funds to the DIB to offset financial distress caused by COVID-19 and provide investments to sustain essential domestic industrial base capabilities. The DIB consists of major sectors such as aircraft, electronics, materials and hypersonics, shipbuilding, soldier systems and ground systems, and space. The DIB

Background (cont'd)

~~(CUI)~~ includes the resources, industrial capability, production capacity, and supply chain that enable the United States to fulfill the materiel and sustainment requirements of the National Defense Strategy. Through January 2021, the DoD authorized [REDACTED] awards valued at [REDACTED] of the \$687 million CARES Act funding allocated to offset the financial distress in the DIB.

Finding

The DoD awarded CARES Act funding to sustain or increase the DIB in accordance with Federal regulations and DPA authorities for the six awards we reviewed. This occurred because DoD officials implemented processes to identify appropriate DPA Title III projects to receive CARES Act funding. In addition, DoD officials complied with the Federal Acquisition Regulation and the Code of Federal Regulations when awarding the CARES Act funding to existing contracts and new technology investment agreements. As a result, the six DIB companies we reviewed will receive \$206.8 million in CARES Act funding to help them overcome the financial distress caused by the COVID-19 pandemic and sustain projects that are critical to national defense.





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

May 20, 2021

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
AND SUSTAINMENT
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Audit of the DoD Coronavirus Aid, Relief, and Economic Security Act
Awards to the Defense Industrial Base (Report No. DODIG-2021-081)

This final report provides the results of the DoD Office of Inspector General's audit. We considered management's comments on a discussion draft copy of this report when preparing this final report. We did not make any recommendations; therefore, no management comments are required.

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

A handwritten signature in cursive script, reading "Theresa S. Hull".

Theresa S. Hull
Assistant Inspector General for Audit
Acquisition, Contracting, and Sustainment

Contents

Introduction

Objective.....	1
Background.....	1
Review of Internal Controls.....	5

Finding. The DoD Appropriately Awarded More Than \$200 Million of Coronavirus Aid, Relief, and Economic Security Act Funding..... 6

The DoD Awarded Coronavirus Aid, Relief, and Economic Security Act Funding to Sustain or Increase the Defense Industrial Base.....	6
The DoD Complied With Criteria to Award Coronavirus Aid, Relief, and Economic Security Act Funding.....	8
Funding Received to Overcome the Financial Distress Caused by the Coronavirus Disease–2019 Pandemic and Sustain Projects Critical to National Defense.....	11

Appendix

Scope and Methodology.....	12
Internal Control Assessment and Compliance.....	14
Use of Computer-Processed Data.....	14
Prior Coverage.....	14

Acronyms and Abbreviations..... 16

Introduction

Objective

The objective of this audit was to determine whether the DoD awarded Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to increase the Defense Industrial Base (DIB) manufacturing capacity in accordance with Federal regulations and Defense Production Act (DPA) authorities. However, we identified that the DPA is not limited to increasing manufacturing capacity, but can also be used for sustaining the DIB. Therefore, we revised the objective of this audit to determine whether the DoD awarded CARES Act funding to sustain or increase the DIB in accordance with Federal regulations and DPA authorities. See the Appendix for a discussion of the scope and methodology and prior audit coverage related to the objective.

Background

The DPA was signed into law in 1950 and grants the President authorities to influence domestic industry in the interest of national defense. The DPA is codified in sections 4501-4568, title 50, United States Code (50 U.S.C. §§ 4501-4568). Specifically, 50 U.S.C. § 4533, “Other presidential action authorized,” states that the DPA Title III authority is used to “create, maintain, protect, expand, or restore DIB capabilities essential for the national defense.” The DPA has been reauthorized more than 50 times, and Public Law 115-232, “National Defense Authorization Act for FY 2019,” section 1791, extended DPA authorities until 2025. These authorities are used to support military preparedness and capability, but are also used across the U.S. Government to improve domestic efforts to prepare for, respond to, and recover from natural hazards, terrorist attacks, and other national emergencies, such as the coronavirus disease–2019 (COVID-19) pandemic.

Coronavirus Aid, Relief, and Economic Security Act

COVID-19 is an infectious disease that can cause a wide spectrum of symptoms. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, President Trump declared the COVID-19 pandemic a national emergency. Under the CARES Act enacted on March 27, 2020, the DoD received \$10.5 billion to prevent, prepare for, and respond to COVID-19, domestically and internationally. The CARES Act also included \$1 billion for DPA Title III actions. The DPA Title III appropriation may be used to purchase health

and medical supplies needed to respond to the spread of COVID-19 or for other purposes connected to the pandemic that meet the DPA criteria, such as averting an industrial resource or critical technology shortfall that would severely impair national defense capabilities. On May 30, 2020, the DoD allocated \$687 million of the \$1 billion DPA Title III funds to the DIB to offset financial distress caused by the COVID-19 pandemic and provide investments to sustain essential domestic industrial base capabilities. See Table 1 for the allocation of the \$1 billion DPA Title III CARES Act funding.

Table 1. Allocation of DPA Title III CARES Act Funds

Funding Area	Funding Amount (in Millions)
Medical Supplies and Equipment	\$213
Offset Financial Distress in DIB	687
DPA Title III Loans	100
Total	\$1,000

Source: The Office of the Deputy Assistant Secretary of Defense for Industrial Policy.

The Defense Industrial Base

(CUI) The DIB comprises the people, resources, industrial capability, production capacity, and supply chain that enable the United States to fulfill the materiel and sustainment requirements of the National Defense Strategy. The DIB, as a critical enabler of combat power, has historically been a prime target for adversaries and competitors, which is a concern for military planners. Multiple sectors make up the DIB, including major sectors such as aircraft, electronics, materials and hypersonics, shipbuilding, soldier systems and ground systems, and space. Through January 2021, the DoD authorized [REDACTED] awards valued at [REDACTED] of the \$687 million CARES Act funding allocated to offset the financial distress in the DIB. We reviewed the unclassified awards with the highest dollar value from each of the six DIB sectors, valued at \$206.8 million. See Table 2 for amounts awarded to each sector as of January 2021.

Table 2. Awards Made to DIB Sectors as of January 2021

(U) DIB Sector	(CUI) Number of Awards	(CUI) Value of Awards (in Millions)
Aircraft	█	███
Electronics	█	██
Materials and Hypersonics	█	██
Shipbuilding	█	███
Soldier Systems and Ground Systems	██	██
Space	█	██
Total	██	████

*The total does not sum due to rounding.

Source: The Office of the Deputy Assistant Secretary of Defense for Industrial Policy.

Organizations Involved With the Defense Production Act Title III

Industrial Base Council

The Industrial Base Council (IBC) is the primary body through which DIB-related efforts are identified, vetted, validated, and approved for DPA Title III execution. The Secretary of Defense established the IBC to ensure industrial base readiness and strength across the DoD. The IBC comprises 14 senior executive-level members from the DoD and is chaired by the Under Secretary of Defense for Acquisition and Sustainment.

Office of the Deputy Assistant Secretary of Defense for Industrial Policy

Congress assigned DPA Title III program responsibility to the Office of the Deputy Assistant Secretary of Defense for Industrial Policy (ODASD[INDPOL]) within the Office of the Under Secretary of Defense for Acquisition and Sustainment. The ODASD(INDPOL) is responsible for establishing the criteria used to assess both program or industrial base risks. In addition, the ODASD(INDPOL) is the only Government office dedicated to identifying and rectifying critical shortfalls in the DIB and works in partnership with all Military Services and U.S. companies to identify where industrial capacity is lagging or nonexistent. The ODASD(INDPOL) authorizes awards, such as grants, purchase commitments, loans, or loan guarantees, to address the shortfalls.

Air Force Title III Program Office

The Secretary of Defense designated the Air Force as the DoD Executive Agent for the DPA Title III program. The Executive Agent Program Office (EAPO) assists in the DPA Title III project evaluation process by obtaining clarifications on how the project was critical to national defense, and the impacts of the COVID-19 pandemic, such as lost revenue, reduced production, and the effects on the local economy. The EAPO is responsible for the execution or delegation of all DPA Title III projects and is located within the Materials and Manufacturing Directorate at the Air Force Research Laboratory at Wright-Patterson Air Force Base, Ohio. When contracts were already in place for similarly scoped work and stakeholders were willing, the EAPO delegated the execution of DPA Title III projects to awarding offices, such as the U.S. Special Operations Command (USSOCOM) and the C-17 Globemaster System Program Office (C-17 SPO).

U.S. Special Operations Command

USSOCOM develops and employs fully capable Special Operations Forces to conduct global special operations and activities to protect and advance U.S. policies and objectives. Special operations and activities include counterterrorism, foreign humanitarian assistance, special reconnaissance, and military information support operations. USSOCOM had an open contract with a soldier systems and ground systems sector award recipient; therefore, the EAPO delegated to USSOCOM the responsibility of awarding a new contract action under the existing contract and for project execution in compliance with DPA Title III requirements.

C-17 Globemaster System Program Office

The C-17 SPO is responsible for the sustainment, modification, maintenance, and overall service of the C-17 fleet. According to the Air Force, the C-17 Globemaster III is the most flexible cargo aircraft to enter the airlift force and is capable of rapid strategic delivery of troops and all types of cargo to main operating bases or directly to forward bases in the deployment area. The C-17 SPO had an open contract with an aircraft sector award recipient; therefore, the EAPO delegated to the C-17 SPO the responsibility of awarding a new contract action under the existing contract and for project execution in compliance with DPA Title III requirements.

Defense Contract Management Agency

The Defense Contract Management Agency provides pre-award support and post-award administration of contracts, grants, cooperative agreements, and other transactions. The Defense Contract Management Agency is responsible for providing acquisition insight, periodic engagements, and business advice for DPA Title III awards.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.¹ The DoD internal controls that we reviewed for awards made with CARES Act funding to the DIB were effective; we identified no internal control weaknesses.

¹ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

The DoD Appropriately Awarded More Than \$200 Million of Coronavirus Aid, Relief, and Economic Security Act Funding

The DoD awarded CARES Act funding to sustain or increase the DIB in accordance with Federal regulations and DPA authorities for the six awards we reviewed. This occurred because DoD officials implemented processes to identify appropriate DPA Title III projects to receive CARES Act funding. In addition, DoD officials complied with the Federal Acquisition Regulation (FAR) and the Code of Federal Regulations (CFR) when awarding the CARES Act funding to existing contracts and new technology investment agreements (TIAs). As a result, the six DIB companies we reviewed will receive \$206.8 million in CARES Act funding to help them overcome the financial distress caused by the COVID-19 pandemic and sustain projects that are critical to national defense.

The DoD Awarded Coronavirus Aid, Relief, and Economic Security Act Funding to Sustain or Increase the Defense Industrial Base

The DoD awarded CARES Act funding to sustain or increase the DIB in accordance with Federal regulations and DPA authorities for the six awards we reviewed.

The DoD awarded CARES Act funding to sustain or increase the DIB in accordance with Federal regulations and DPA authorities for the six awards we reviewed. The CARES Act

provided \$1 billion for DPA purchases “to prevent, prepare for, and respond to coronavirus, domestically or internationally.” President Trump issued Executive Order 13911, which waived specific requirements in 50 U.S.C. § 4533 due to a declared national emergency. Although the President waived specific requirements, the EAPO, after consultation with the Office of the Air Force General Counsel, implemented guidance to verify that funds appropriated in the CARES Act are being used for their prescribed purpose. The funds must also be used for their prescribed purpose within the DPA, which is to “create, maintain, protect, expand, or restore DIB capabilities essential for national defense,” and meet at least one of the following four activities described in 50 U.S.C. § 4533:

- purchases of or commitments to purchase an industrial resource or a critical technology item, for Government use or resale;
- encouragement of exploration, development, and mining of critical and strategic materials, and other materials;

- development of production capabilities; or
- increased use of emerging technologies in security program applications and the rapid transition of emerging technologies—
 - from Government-sponsored research and development to commercial applications; or
 - from commercial research and development to national defense applications.

In accordance with the DPA and the CARES Act, DoD officials identified companies within the DIB that were critical to national defense and needed funds to respond to the financial distress caused by the COVID-19 pandemic. Table 3 shows how the six awards we reviewed met the DPA criteria.

Table 3. Awards Reviewed Met DPA Criteria

(U) Company	(CUI) DPA Compliance and Award Purpose	(U) Award Value (in Millions)
The Boeing Company	Sustains the domestic supply chain of critical F117 engine spare parts for the C-17.	\$63.0
eMagin Corporation	Sustains the production of organic light emitting diode microdisplays, which resolve the “green glow” obscuration for warfighters operating DoD aircraft during night operations.	33.6
The Urban Mining Company	Sustains and expands the continued operations of the only domestic manufacturer of Neodymium Iron Boron rare earth magnets, which are crucial components in many DoD aircraft, submarines, and missiles.	28.8
ArcelorMittal	Sustains the domestic manufacturing of Navy-grade alloy steel plates used in the production of surface ships, aircraft carriers, and submarines.	56.0
Oceus Networks	(CUI) [REDACTED] Mobile Cellular Network, which is a [REDACTED]	10.4
LeoLabs Incorporated	Sustains the only supplier of critical space data services that allow the DoD to monitor and respond to threats in space.	15.0
Total		\$206.8

Source: The DoD OIG.

(~~CUI~~) For example, the Air Force used the C-17 to support COVID-19 response efforts by transporting infected personnel in remote locations to medical facilities and delivering personal protective equipment and testing material. These extra missions created an unplanned need for F117 engine parts. In addition, the COVID-19 pandemic adversely affected the Boeing Company's subcontractors, which put at risk the availability of F117 engine spare parts for maintenance and overhaul of the C-17. According to the ODASD(INDPOL), one of the Boeing Company's subcontractors [REDACTED]

[REDACTED] the IBC acknowledged that the F117 engine spare parts project was essential to national defense and approved the Boeing Company to receive CARES Act funding. The \$63 million award was targeted to the Boeing Company's subcontractors manufacturing F117 engine parts, and the ODASD(INDPOL) authorization memorandum stated that the award will increase the production of a critical technology item.

(~~CUI~~) In another example, the Urban Mining Company is the only domestic manufacturer of rare earth magnets that are essential components in the majority of DoD weapon systems. According to the Urban Mining Company, the COVID-19 pandemic caused [REDACTED] the IBC approved the Urban Mining Company to receive CARES Act funding to [REDACTED]. The \$28.8 million award was targeted to develop and expand domestic production capacity and manufacturing capability of rare earth magnets in order to eliminate the DoD's dependence on China. The National Defense Authorization Act for FY 2019, section 871, prohibits defense procurement of rare earth magnets from China because these materials are essential to national defense.

The DoD Complied With Criteria to Award Coronavirus Aid, Relief, and Economic Security Act Funding

DoD officials implemented processes to identify appropriate DPA Title III projects to receive CARES Act funding.

(~~CUI~~) DoD officials implemented processes to identify appropriate DPA Title III projects to receive CARES Act funding. The Military Services, combatant commands, Office of the

Secretary of Defense, and other DoD agencies and working groups can submit projects for consideration based on program or industrial base risks. Additionally, industry can submit white papers, which include a technical description of the proposed project, in response to funding opportunity announcements. The ODASD(INDPOL) established criteria for assessing the program or industrial

(CUI) base risks being considered, which included reviewing [REDACTED]

[REDACTED] Additionally, the EAPO sent clarification questions to potential recipients for additional information to verify how the company was affected by COVID-19 and how the project was critical to national defense. The Joint Industrial Base Working Group reviewed the submissions, determined whether the CARES Act funds were appropriate, and prioritized the projects to brief to the IBC.² The IBC members approved the appropriate DPA Title III projects for CARES Act funding and the ODASD(INDPOL) documented the approvals in the IBC meeting minutes. The ODASD(INDPOL) also summarized the information in the authorization memorandums, which empowered the EAPO to execute the projects that will mitigate critical shortfalls in domestic defense industries. The EAPO used the most expedient means to execute these projects, which was through either an existing contract or a new award.

DoD officials complied with the FAR and CFR when awarding the CARES Act funding to existing contracts and new TIAs. FAR 16.505, "Ordering," requires that the task or delivery order be within the scope, the period of performance, and the maximum value of the contract. The FAR also requires other information, such as the delivery schedule and appropriations data. Additionally, FAR 42.1106, "Reporting requirements," allows for contracting officers to require contractors to submit progress reports. USSOCOM and C-17 SPO officials complied with these FAR sections when awarding DPA Title III CARES Act funding under existing indefinite-delivery indefinite-quantity contracts.

(CUI) For example, USSOCOM officials complied with FAR 16.505 when awarding a September 22, 2020 task order, valued at \$16.1 million, off an existing Oceus Networks indefinite-delivery indefinite-quantity contract, using \$10.4 million of CARES Act funding. Oceus Networks [REDACTED] Mobile Cellular Network, which is a [REDACTED]

[REDACTED] As part of the Mobile Cellular Network project, Oceus Networks will provide [REDACTED]

[REDACTED] According to USSOCOM, Oceus Networks was [REDACTED] as a result of the COVID-19 pandemic. If Oceus Networks [REDACTED]

[REDACTED] The base contract stated

² The Joint Industrial Base Working Group is co-chaired by the ODASD(INDPOL) and the Defense Contract Management Agency. The Joint Industrial Base Working Group comprises subject matter experts from the Military Services and multiple defense agencies.

(CUI) that technological advances are inevitable and permitted task orders to include any future wireless networking technologies as they arise during the entire term of the contract. USSOCOM officials awarded the task order within the scope, maximum ceiling value, and period of performance of the base indefinite-delivery indefinite-quantity contract.³ The task order also included other information, such as the delivery schedule, appropriations data, and a requirement for Oceus Networks to submit monthly status reports.

Title 32 CFR Part 37, “Technology Investment Agreements,” requires that the agreements include the project scope, project management, and funding—including cost share—among other requirements. The CFR also requires a greater level of involvement of the Government program official in the execution of the award than the usual oversight of a research grant or procurement contract. The EAPO officials complied with the CFR when awarding \$133.4 million in DPA Title III CARES Act funding under four TIAs.

(CUI) For example, the EAPO officials complied with Title 32 CFR Part 37 when awarding the July 21, 2020 TIA, valued at \$33.6 million, to eMagin Corporation (eMagin) using CARES Act funding. eMagin is the lead domestic supplier of high-brightness organic light emitting diode microdisplays, which resolve the “green glow” obscuration for warfighters operating DoD aircraft during night operations. eMagin’s current production and new development organic light emitting diode displays are critical to national defense and are needed in emerging DoD programs. eMagin’s technology was used in the Joint Strike Fighter (F-35) Helmet Mounted Display System and the Apache (AH-64) Integrated Helmet and Display Sight System, as well as a variety of night vision goggles. The EAPO sent clarification questions to eMagin to obtain additional information on how the COVID-19 pandemic affected the company. According to eMagin, it publically notified its investors that the COVID-19 pandemic caused unanticipated consequences and economic uncertainty that could result in its closure. Specifically, eMagin disclosed that it experienced financial distress due to [REDACTED] resulting from [REDACTED] and the costs required to [REDACTED]. eMagin also explained that it lost more than [REDACTED] due to a reduction in [REDACTED] and [REDACTED]. The TIA was awarded to help sustain eMagin’s production capabilities and ensure that it will be a secure, consistent, and cost-efficient supplier for meeting the DoD’s urgent and long-term operational needs. In addition, the award will expedite and expand the domestic production of high-brightness organic light emitting diode display

³ In accordance with FAR 16.505, USSOCOM officials increased the maximum ceiling value of the base contract before awarding the task order.

(~~CUI~~) technology. According to eMagin, replacing or upgrading critical equipment will result in a 10-percent improvement in work-center throughput by avoiding extended down time and unplanned extended supply interruptions. The agreements officer justified the use of the TIA, evaluated cost sharing, and included the required Title 32 CFR Part 37 elements in the TIA award document, such as project management and funding. In addition, the program officials provided oversight of the eMagin award by participating in monthly status meetings and quarterly program management reviews. These meetings and reviews will continue throughout the period of performance and address cost, schedule, risk factors, and any needed mitigation strategies.

Funding Received to Overcome the Financial Distress Caused by the Coronavirus Disease–2019 Pandemic and Sustain Projects Critical to National Defense

(~~CUI~~) The six DIB companies reviewed will receive \$206.8 million in CARES Act funding to help them overcome the financial distress caused by the COVID-19 pandemic and sustain the projects that were

The six DIB companies reviewed will receive \$206.8 million in CARES Act funding to help them overcome the financial distress caused by the COVID-19 pandemic and sustain the projects that were critical to national defense.

critical to national defense. According to the ODASD(INDPOL), the CARES Act funds were also prioritized to [REDACTED]

[REDACTED] For example, DoD officials awarded \$28.8 million in CARES Act funding [REDACTED]

[REDACTED] with the Urban Mining Company. As of September 30, 2020, the project was on schedule and on cost, and DoD officials stated that they will continue to provide program oversight by participating in monthly status meetings and quarterly program management reviews. In addition, DoD officials awarded \$15 million in CARES Act funding [REDACTED] LeoLabs, Incorporated [REDACTED] LeoLabs, Incorporated is the Nation’s only supplier of Space Domain Awareness data services for Low Earth Orbit and the Nation’s only company operating and maintaining a worldwide network of highly capable space radars. The award was intended to maintain and protect LeoLabs, Incorporated’s unique capabilities and supply chain and enable the U.S. Space Force to monitor and respond to threats in space, which is essential for national defense. As of September 30, 2020, the project was on schedule and on cost, and DoD officials stated that they will continue to provide program oversight by participating in monthly status meetings and quarterly program management reviews.

Appendix

Scope and Methodology

We conducted this performance audit from October 2020 through May 2021 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.

We originally announced the audit to determine whether the DoD awarded CARES Act funding to increase the DIB manufacturing capacity in accordance with Federal regulations and DPA authorities. However, we identified that the DPA is not limited to increasing manufacturing capacity, but can also be used for sustaining the DIB. Therefore, we revised the objective of the audit to determine whether the DoD awarded CARES Act funding to sustain or increase the DIB in accordance with Federal regulations and DPA authorities.

To determine whether the DoD awarded CARES Act funding to sustain or increase the DIB in accordance with Federal regulations and DPA authorities, we interviewed stakeholders from the following offices to identify roles and responsibilities and obtain documentation.

- ODASD(INDPOL)
- EAPO
- Defense Contract Management Agency
- USSOCOM
- C-17 SPO

We reviewed the following criteria related to the CARES Act, the DPA, and awards.

- Public Law 116-136, “The CARES Act,” March 27, 2020
- 10 U.S.C. § 2358, “Research and Development Projects”
- 10 U.S.C. § 2371, “Research Projects: Transactions Other Than Contracts and Grants”
- Title 50, Chapter 55 U.S.C., “Defense Production”
- Title 32 CFR Part 21, “DoD Grants and Agreements – General Matters”
- Title 32 CFR Part 22, “DoD Grants and Agreements – Award and Administration”
- Title 32 CFR Part 37, “Technology Investment Agreements”

- FAR 16.5, “Indefinite-Delivery Contracts”
- FAR 42.2, “Contract Administration Services”
- FAR 42.3, “Contract Administration Office Functions”
- FAR 42.11, “Production Surveillance and Reporting”
- DoD Directive 4400.01E, “DPA Programs”
- DoD Directive 3210.06, “Defense Grant and Agreement Regulatory System”

Universe and Sample of DPA Title III CARES Act Awards

(CUI) In October 2020, we obtained a universe of [REDACTED] DPA Title III awards made using CARES Act funding. The awards were valued at [REDACTED] and broken out by DIB sector. See Table 4 for the quantity and value of the awards by sector. We selected a nonstatistical sample of six DPA Title III awards valued at \$206.8 million. Specifically, we nonstatistically selected the highest dollar value, unclassified award from each of the six DIB sectors as of October 2020.

Table 4. Universe of DPA Title III CARES Act Awards as of October 2020

(U) DIB Sector	(CUI) Number of Awards	(CUI) Value of Awards (in Millions)
Aircraft	[REDACTED]	[REDACTED]
Electronics	[REDACTED]	[REDACTED]
Materials and Hypersonics	[REDACTED]	[REDACTED]
Shipbuilding	[REDACTED]	[REDACTED]
Soldier Systems and Ground Systems	[REDACTED]	[REDACTED]
Space	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

Source: The ODASD(INDPOL).

DPA CARES Act Analysis

We reviewed applicable Federal and DoD laws, regulations, and other guidance related to the CARES Act, the DPA, and award instruments.

We obtained copies of the selected awards, including the four TIAs, one delivery order, and one task order. We also obtained documentation from the EAPO, including the white papers submitted against the funding opportunity announcement and applicable clarification documents, proposals, cost share waivers, and legal reviews.

The ODASD(INDPOL) provided process flow charts, IBC minutes with the endorsement for the selected awards, authorization memorandums, DIB project summary charts, and the master tracker spreadsheet. In addition, the contracting officers provided memorandums of agreement, memorandums of understanding, statements of work, and legal reviews.

Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the control environment related to DPA Title III project selection and award justification, and the selection of the award vehicle and execution. We assessed the associated underlying principles related to exercising oversight responsibility and establishing structure, responsibility, and authority. 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 received a universe of DPA Title III awards issued through October 2020 from the ODASD(INDPOL) and used the data to select a nonstatistical sample of six awards for our review. We compared the ODASD(INDPOL) data for the six awards to information contained within the award documents. Based on our review, we determined that the ODASD(INDPOL) data were sufficiently reliable for the purposes of our review.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) issued four reports discussing the DIB and the DPA. Unrestricted GAO reports can be accessed at <http://www.gao.gov>.

GAO

GAO-21-108, “Defense Production Act – Opportunities Exist to Increase Transparency and Identify Actions to Mitigate Medical Supply Chain Issues,” November 2020

This report identified that Federal agencies used the DPA to award 43 contracts and agreements, initially valued at \$3.9 billion, to help address medical supply shortages from COVID-19.

GAO-20-632, "COVID-19 Contracting - Observations on Federal Contracting in Response to the Pandemic," July 2020

This report identified that Government-wide contract obligations in response to the COVID-19 pandemic totaled \$17.8 billion as of June 11, 2020.

GAO-20-625, "COVID-19 - Opportunities to Improve Federal Response and Recovery Efforts," June 2020

This report determined that several actions have taken place to allow Federal agency use of DPA authorities to mitigate COVID-19 supply chain issues, such as access to personal protective equipment.

GAO-18-435, "Defense Industrial Base - Integrating Existing Supplier Data and Addressing Workforce Challenges Could Improve Risk Analysis," June 2018

This report identified that the DoD identifies risks to the industrial base that are developed from data provided by several DoD Components and acquisition program offices.

Acronyms and Abbreviations

C-17 SPO	C-17 Globemaster System Program Office
CARES	Coronavirus Aid, Relief, and Economic Security
CFR	Code of Federal Regulations
COVID-19	Coronavirus disease–2019
DIB	Defense Industrial Base
DPA	Defense Production Act
EAPO	Executive Agent Program Office
FAR	Federal Acquisition Regulation
IBC	Industrial Base Council
ODASD(INDPOL)	Office of the Deputy Assistant Secretary of Defense for Industrial Policy
TIA	Technology Investment Agreement
U.S.C.	United States Code
USSOCOM	U.S. Special Operations Command

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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