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February 12, 2025

The Honorable Pete Hegseth
Secretary of Defense
1010 Defense Pentagon
Washington, DC 20301-1010

Subj: DoD Cost-Plus-Award-Fee Contracts Enable Fraud, Waste, and Abuse

Dear Hon. Secretary of Defense Hegseth:

This letter augments those submitted previously. During your and DOGE's review of fraud, waste, and abuse in the acquisition of weapon systems, please examine the effectiveness of the criteria used to determine the amount of award fees paid for cost-plus-award-fee (CPAF) contracts. I am concerned that:

1. The criteria used on failing programs do not incentivize contractors to deliver a product that works on cost and on time.
2. Contractors may submit reports of cost, schedule, and technical performance that are based on manipulated data and not on outcome-based metrics backed by Authoritative Sources of Truth.
3. Subjective assessments of "Excellent" or "Good" on failing programs resulted in undeserved award fees and possible fraud, waste, and abuse.
4. Policy and guidance related to award fees are ambiguous and do not lead to desired outcomes.

I sent recommendations and requests for legislation and oversight to chairmen of House and Senate committees since 2007, to DoD and OMB officials since 2009, and to the DoD IG since 2023. These have been ignored. During the past year, I have been focusing on failing major capability acquisition programs that have outraged legislators. They were blind-sided by revelations of cost overruns and delays. The program/project management processes used, required by DFARS, and the contractors' reports failed to provide situational awareness of cost, schedule, and technical performance and early warning needed to take corrective actions.

The following table includes some of my assessments and requests to officials.

Letters to DoD, HASC, SASC, and OMB Regarding DoD Fraud, Waste, and Abuse				
Date	To	Agency/ Branch/ Committee	Subject	Programs
6/22/07	Henry Waxman	Oversight and Govt. Reform	Award Fees and Contract Oversight	All
10/25/11	John McCain	SASC	Cost Controls on the F-35 and Need for Acquisition Reform of Earned Value Management	F-35, All.
5/25/23	Carol N. Gorman	DoD IG	Correction and Supplement to Letter dated May 30 Includes F-35 Software Modernization and Agile Methods	F-35
6/8/23	Carol N. Gorman	DoD IG	Supplement to Previous Letter Cites Today's GAO Finding on Minimum Viable Product	All

12/20/20	Adam Smith	HASC	NDAAs for FY 2021 and Unfinished Oversight and Legislation	All
7/14/21	Adam Smith	HASC	Repeated Request for GAO Assessment of F-35 Block 4 Modernization Incentive/Award Fees,	F-35
5/29/24	Bill LaPlante	DoD	Navy Frigate's Failure Obscured by Metrics Based on Quantity, not Quality. RIP, EVM	Navy Frigate
6/25/24	Bill LaPlante	DoD	LGM-35A Sentinel Program Fails to Provide Early Warning	LGM-35A , Sentinel
6/28/24	Elizabeth Warren	SASC	Failures of Sentinel, F-35, and Digital Engineering	F-35, Sentinel, All
11/24/24	Shalanda Young	OMB	Transition Actions for You and Chief of Staff Zients	All

The letter to OMB Director Young is silent on award fees but includes corrective actions that OMB must take to fix its policy on the acquisition of capital assets. OMB's actions are needed to revoke the DFARS Earned Value Management System clause and to prevent fraud, waste, and abuse on CPAF contracts.

This letter and the cited letters may be downloaded from www.pb-ev.com at the Acquisition Reform tab. Information about alleged fraud regarding award fees on the F-35 program is at the F-35 Whistleblower Case tab.

Please investigate how award fees are being paid on the cited programs and determine what corrective statutory, regulatory, and policy actions are needed to eliminate fraud waste, or abuse.

Yours truly,



Paul Solomon

CC:

- Hon. Glen Grothman, HOAC
- Hon. Ken Calvert, HAC
- Hon. Robert J. Wittman, HASC
- Hon. Ro Khana, HASC
- Hon. Carlos Del Toro, Secretary of the Navy
- Hon. David L. Norquist, NDIA
- Anthony Capaccio, Bloomberg News
- Hon. Adam Smith, HASC
- Hon. Mike Rogers, HASC
- Hon. Donald Norcross, HASC
- DOGE