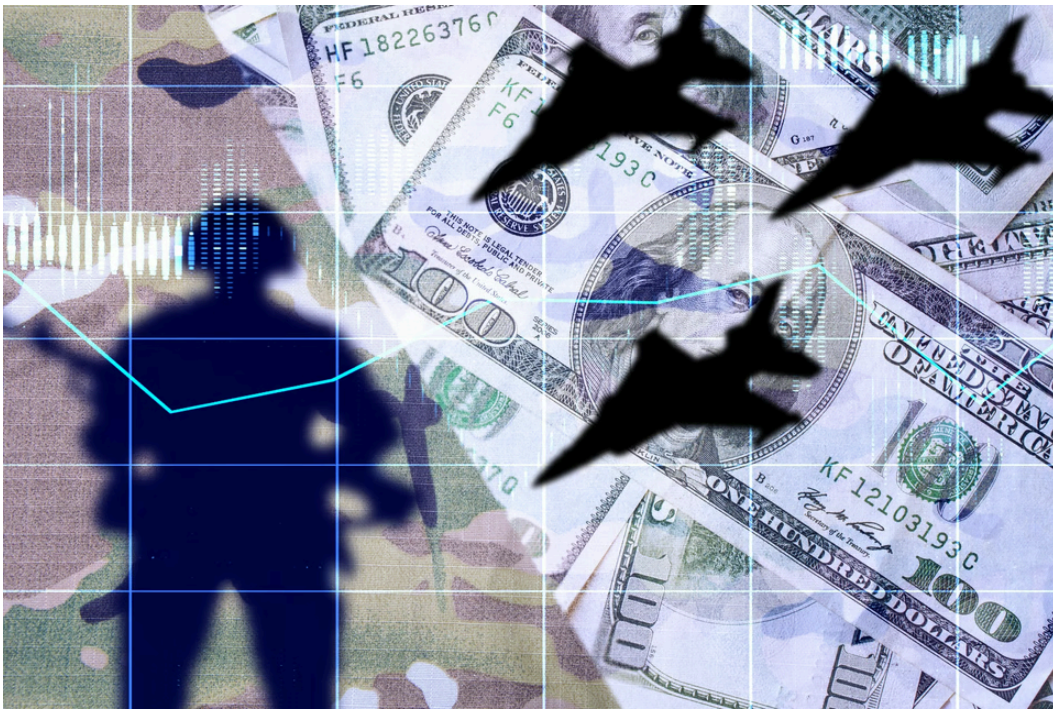


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Pentagon Procurement: Big Spending, Bigger Vulnerabilities

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The Department of Defense (DOD) spends money at a scale few institutions in the world can match, obligating roughly \$445 billion in fiscal year 2024 alone through its procurement system. That system funds everything from next-generation weapons to routine support services. But it also represents one of the federal government's largest exposures to waste, fraud, and abuse. At a time when President Trump is requesting the largest defense budget in history—\$1.5 trillion—the Pentagon's inability to manage the ample funds it already receives raises serious concerns. ¹

Years of warnings from inspectors general, the Government Accountability Office (GAO), and other watchdogs have pointed to persistent weaknesses in DOD's contracting practices. While fraud cases continue to be uncovered, they offer only a partial picture. It is likely that program integrity risks are significantly underreported, raising a more troubling question: how much is slipping through the cracks?

This memo examines challenges surrounding defense procurement and what can be done to address them. It lays out key facts about DOD's current program integrity challenges, assesses ongoing efforts to improve the contracting system, and highlights concrete steps policymakers can take to strengthen oversight. The central challenge is not just catching fraud after it happens—it is fixing the systemic vulnerabilities that allow it to happen at scale.

This report is part of a program-by-program series looking at program integrity issues throughout the federal budget—efforts that cut back on waste and fraud and make sure government programs work. For more information, visit our series page [here](#).

Fast Facts: Defense & Program Integrity

- **Big Dollars:** DOD obligated about \$445 billion in FY 2024 to contracts for goods and services, including weapons systems and support services. ² This was roughly 54% of its overall budget that year. ³
- **High Risk:** Watchdogs have criticized DOD for its lack of a robust fraud risk management program. For example, GAO has included defense fraud risk management on its High Risk List, which identifies the federal programs most vulnerable to fraud, waste, and abuse. ⁴
- **Underreported Fraud:** DOD reported almost \$11 billion in confirmed fraud over seven years, an amount that reflects a small fraction of DOD's potential fraud exposure. ⁵
- **Real-World Consequences:** Procurement failures have led to defective parts, bribery, and major delays. ⁶ In FY 2025, the Department of Justice secured nearly \$634 million in DOD-related False Claims Act settlements, including several cases involving false and inflated cost and pricing data for critical defense systems. ⁷

- **Failure:** As a Cabinet-level agency, the DOD has failed its last eight audits. ⁸

Existing Defense Program Integrity Efforts

The Department of Defense has a number of ongoing efforts to cut back on waste and fraud and make sure government programs work. These include:

Risk Management: DOD has taken initial steps to implement a department-wide fraud risk management program. The approach aligns with practices in GAO's *Framework for Managing Fraud Risks in Federal Programs*, which is a good start. The Office of Management and Budget requires agencies to implement leading practices from the framework.

Specifically, DOD has designated the Office of the Under Secretary of Defense (Comptroller) to oversee fraud risk management and lead a Fraud Reduction Task Force. ⁹ It requires military departments and component agencies to identify and report fraud risks, and supports them with guidance, tools, and training. ¹⁰ DOD has also established a Confirmed Fraud Working Group of military criminal investigative organizations to identify root causes of fraud and capture lessons learned. ¹¹

The Comptroller, Inspector General, and CAPE: DOD has a comptroller that oversees financial management, including funds used for procurement and contracting activities. ¹² DOD's Inspector General conducts investigations to detect fraud, waste, and abuse across defense programs, including procurement and contracting. ¹³ Finally, the Office of Cost Assessment and Program Evaluation (CAPE) is responsible for reviewing whether the government is paying honest and reasonable prices for purchases. ¹⁴

President Trump's efforts for the "Department of War": Beating a familiar drum, the Trump administration claims it's reducing waste, fraud, and abuse in defense spending by tackling diversity, equity, and inclusion and other so-called "woke" issues. ¹⁵ This is not directly fraud in any form, but a political determination of waste. Cracking down on purported wokeness would do little to tackle the real and very costly types of fraud to which defense procurement remains susceptible. The Trump administration has also tried to advance deregulatory reforms to acquisition. ¹⁶ Finally, last year's One Big Beautiful Bill Act included nearly \$1 billion for AI tools within the DOD, including \$200 million earmarked for financial audit capabilities. ¹⁷

Audits and Fraud

To better illustrate the issues at stake, GAO and outside watchdog groups have outlined egregious cases of defense procurement fraud and mismanagement.¹⁸ For example:

- A shell company fraudulently provided defective parts to DOD, leading to the grounding of 47 fighter aircraft.¹⁹
- A contractor bribed officials for classified information and preferential treatment, ultimately defrauding DOD of tens of millions of dollars.²⁰
- The Air Force's Advanced Pilot Trainer program is more than 10 years behind schedule.²¹

And these examples are just the tip of the iceberg.

It's clear that DOD needs a sustained effort to prevent, detect, and respond to fraud. Leadership has not demonstrated a strong commitment and should act in key areas identified by GAO, including improving organizational culture and data analytics capabilities.²² Some congressional watchdogs have also focused on weak financial audit capabilities as they demand more accountability from DOD.

Pentagon Audits: Since 2018, DOD annually audits its spending. But it is the only Cabinet-level department that has never earned a clean financial report. The latest audit (for FY 2025) identified 26 material weaknesses—severe control issues that could lead to a significant misstatement in financial reports—and two significant deficiencies. These weaknesses include things like the inability to verify assets within the Joint Strike Fighter program and broad failures in managing \$4.6–\$4.7 trillion in assets such as military equipment and property.²³ Audits can also help identify billions of dollars of assets that DOD did not know existed.²⁴

The so-called “Audit the Pentagon” legislation, led by Senators Bernie Sanders (I-VT) and Chuck Grassley (R-IA), threatens spending cuts unless the DOD Comptroller can certify to Congress that each DOD component has “achieved an unqualified opinion” on its full financial statements (i.e., account for all its assets).²⁵ Concerned members of Congress point to an accounting error in 2023 that resulted in the DOD sending \$6 billion more to Ukraine than needed.²⁶ DOD leadership has set a new goal of 2028 for a clean audit.²⁷

Fraud Deterrence: A clean audit is a worthwhile goal, but the government must also do more to deter fraud in the defense industry. This starts with more vigorously prosecuting fraud and punishing the contractors that engage in it. However, like major government health care programs that are frequent targets for bad actors, DOD should also take steps to proactively deter contractors who exploit loopholes in the procurement system. The Atlantic Diving Supply case illustrates the problems associated with only relying on the

criminal justice system: the company allegedly used affiliates, partnerships, and opaque ownership structures to exploit small business contracting rules and win billions in contracts reserved for disadvantaged firms. Despite years of fraud allegations, whistleblower claims, and tens of millions of dollars in settlements, it continued receiving major Pentagon contracts without criminal prosecution or suspension. ²⁸

ENDNOTES



- 1.** President Trump’s request for a \$1.5 trillion defense budget would exceed US military spending at the height of World War II, adjusted for inflation. Because the DOD and the military industrial base are not designed to absorb that amount of money, the surge could invite fraud and waste.

For more information, see Daniels, Seamus P. “Unpacking the \$1.5 Trillion FY 2027 Defense Budget Topline.” Center for Strategic and International Studies, 10 April 2026, <https://www.csis.org/analysis/unpacking-15-trillion-fy-2027-defense-budget-topline>. Accessed 5 May 2026.

- 2.** Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026.

- 3.** Keys, Cameron M., and Brendan W. McGarry. “FY 2024 Defense Appropriations: Summary of Proposed Funding.” Congressional Research Service, 22 April 2024, <https://www.congress.gov/crs-product/IN12234>. Accessed 5 May 2026.

The DOD obligated about \$445 billion on contracts for goods and services in FY 2024—roughly 54% of its approximately \$824 billion in budget authority that year, though the figures are not directly comparable because contract obligations can include prior-year funds. Contract obligations include spending from both current and prior-year appropriations, while the budget figure reflects annual budget authority.

- 4.** Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026.

- 5.** Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026. And; Khan, Asif A. “DOD Financial Management: Accelerated Timelines Needed to Address Long-standing Issues and Fraud Risk.” United States Government Accountability Office, 29 April 2025, <https://www.gao.gov/products/gao-25-108191>. Accessed 5 May 2026.
- 6.** Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026. And; Oakley, Shelby S. “Defense Acquisition Reform: Persistent Challenges Require New Iterative Approaches to Delivering Capability with Speed.” United States Government Accountability Office, 11 June 2025, <https://www.gao.gov/products/gao-25-108528>. Accessed 5 May 2026.
- 7.** U.S. Department of Justice. “False Claims Act Settlements and Judgments Exceed \$6.8B in Fiscal Year 2025.” U.S. Department of Justice, 16 January 2026, <https://www.justice.gov/opa/pr/false-claims-act-settlements-and-judgments-exceed-68b-fiscal-year-2025>. Accessed 5 May 2026. And; U.S. Department of Justice. “Fact Sheet: False Claims Act Settlements and Judgments FY2025.” U.S. Department of Justice, 16 January 2026, <https://www.justice.gov/opa/media/1424126/dl>. Accessed 5 May 2026. And; U.S. Department of Justice. “FY2025 False Claims Act Statistics.” U.S. Department of Justice, 16 January 2026, <https://www.justice.gov/opa/media/1424121/dl>. Accessed 5 May 2026.

Among the False Claims Act settlements in FY 2025: Raytheon Company agreed to pay \$428 million to resolve allegations that it knowingly provided false cost and pricing data when negotiating with the DOD for numerous government contracts and double billed on a weapons maintenance contract (this procurement fraud cause was the DOD’s second-largest in history); L3 Technologies Inc. agreed to pay \$62 million to resolve allegations that it failed to disclose cost or pricing data relating to labor, material, and other costs for communications equipment; Lockheed Martin Corp. agreed to pay \$29.74 million to resolve allegations of defective pricing on contracts for F-35 military aircraft.

- 8.** Stone, Mike. “Pentagon Fails Eighth Audit, Targets 2028 to Pass, Pentagon Says.” Reuters, 19 December 2025, <https://www.reuters.com/world/us/pentagon-fails-eighth-audit-targets-2028-pass-pentagon-says-2025-12-19/>. Accessed 5 May 2026.

The DOD has been auditing itself since 2018 to examine its internal controls over its financial reporting, and it is the only Cabinet-level department that has never earned a clean financial report. The latest audit identified 26 material weaknesses—severe control issues that could lead to a significant misstatement in financial reports—and two significant deficiencies.

- 9.** Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026.

- 10.** The DOD also provides military components with guidance, tools, and training on fraud risk.

Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026.

- 11.** Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026.

- 12.** U.S. Department of Defense. “Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense.” U.S. Department of Defense, 4 April 2023, <https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodd/511803pdf>. Accessed 5 May 2026.

The Under Secretary of Defense (Comptroller) is responsible for overseeing DOD’s budget, financial management, and execution of appropriated funds, including those used for procurement and contracting activities. While the Comptroller does not manage individual contracts, the office sets funding controls, financial policies, and oversight mechanisms that shape how

procurement dollars are allocated, tracked, and monitored across the department.

The office is responsible for “contract audit administration,” providing oversight of procurement spending and contractor costs. The Comptroller is also delegated authority to establish department-wide financial policy and assign responsibilities across DOD components, shaping how procurement funds are controlled, monitored, and evaluated.

- 13.** U.S. Department of Defense Office of Inspector General. “About DoW Office of Inspector General.” U.S. Department of Defense Office of Inspector General, <https://www.dodig.mil/About/>. Accessed 5 May 2026. And; U.S. Department of Defense Office of Inspector General. “Semiannual Report to the Congress – April 1, 2025 through September 30, 2025.” U.S. Department of Defense Office of Inspector General, 20 December 2025, <https://www.dodig.mil/reports.html/Article/4387434/semiannual-report-to-the-congress-april-1-2025-through-september-30-2025/>. Accessed 5 May 2026.

The Department of Defense Inspector General conducts independent audits and investigations to detect fraud, waste, and abuse across DOD programs, including procurement and contracting. By investigating procurement fraud, auditing contract spending, and recommending internal control improvements, the OIG plays a central role in identifying risks and strengthening integrity in defense contracting.

- 14.** U.S. Department of Defense, Cost Assessment and Program Evaluation. “About.” U.S. Department of Defense, Cost Assessment and Program Evaluation, <https://www.cape.osd.mil/about>. Accessed 5 May 2026.
- 15.** The White House. “Addressing DEI Discrimination by Federal Contractors.” The White House, 26 March 2026, <https://www.whitehouse.gov/presidential-actions/2026/03/addressing-dei-discrimination-by-federal-contractors/>. Accessed 5 May 2026.

- 16.** McGarry, Brendan W., and Cameron M. Keys. “Executive Order on Defense Contracting.” Congressional Research Service, 11 February 2026, <https://www.everycrsreport.com/reports/IN12654.html>. And; Keys, Cameron M., and Brendan W. McGarry. “Defense Acquisition Reform: Executive and Legislative Branch Actions.” Congressional Research Service, 26 August 2025, <https://www.congress.gov/crs-product/IN12600>. Accessed 5 May 2026. And; Gledhill, Julia. “Acquisition Reform, at a Crossroads.” Stimson Center, 2025, <https://www.stimson.org/2025/acquisition-reform-at-a-crossroads/>. Accessed 5 May 2026.
- 17.** United States Congress. “H.R.1 — One Big Beautiful Bill Act.” United States Congress, 22 May 2025, <https://www.congress.gov/bill/119th-congress/house-bill/1/text/eh>. Accessed 5 May 2026. And; Nichols, Shaun. “Trump’s ‘Beautiful’ Bill Bets Big on AI, Quantum, and Cyber.” SC Media, 21 July 2025, <https://www.scworld.com/feature/trumps-beautiful-bill-bets-big-on-ai-quantum-and-cyber>. Accessed 5 May 2026.
- 18.** The New York Times Editorial Board. “The U.S. Military Budget Is Full of Waste. Here’s Where It Goes.” The New York Times, 10 December 2025, <https://www.nytimes.com/interactive/2025/12/10/opinion/editorials/us-military-budget-waste.html>. Accessed 5 May 2026.
- 19.** Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026.
- 20.** Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026.
- 21.** Oakley, Shelby S. “Defense Acquisition Reform: Persistent Challenges Require New Iterative Approaches to Delivering Capability with Speed.” United States Government Accountability Office, 11 June 2025, <https://www.gao.gov/products/gao-25-108528>. Accessed 5 May 2026.

- 22.** Bagdoyan, Seto J. “DOD Fraud Risk Management: DOD Should Expediently and Effectively Implement Fraud Risk Management Leading Practices.” United States Government Accountability Office, 4 June 2025, <https://www.gao.gov/products/gao-25-108500>. Accessed 5 May 2026.

Key areas identified by the GAO: 1) Fully establish an organizational culture conducive to fraud risk management. 2) Comprehensively assess risk and compile a fraud risk profile. 3) Issue an antifraud strategy that aligns with leading practices.

- 23.** U.S. Department of Defense Office of Inspector General. “Press Release: Independent Auditor’s Reports on the DoD FY 2025 Financial Statements.” U.S. Department of Defense Office of Inspector General, 19 December 2025, <https://www.dodig.mil/In-the-Spotlight/Article/4365200/press-release-independent-auditors-reports-on-the-dod-fy-2025-financial-statement/>. Accessed 5 May 2026. And; U.S. Department of Defense. “Department of Defense Agency Financial Report: Fiscal Year 2025.” U.S. Department of Defense, 13 January 2026, https://comptroller.war.gov/Portals/45/Documents/afr/fy2025/DoD_FY25_Agency_Financial_Report.pdf. Accessed 5 May 2026.

Material weaknesses are significant concerns that could prevent management from detecting and correcting a material misstatement in a timely manner. Significant deficiencies are less severe than material weaknesses but are important enough to formally communicate to management.

- 24.** Tabuni, Omar. “Fact Sheet: Auditing the Department of Defense.” Project On Government Oversight, 5 November 2024, <https://www.pogo.org/fact-sheets/fact-sheet-auditing-the-department-of-defense>. Accessed 5 May 2026.

- 25.** Sens. Bernie Sanders, I-Vt., and Chuck Grassley, R-Iowa, have led Audit the Pentagon legislation in previous Congresses that best embodies this simple idea and has garnered lots of bipartisan co-sponsors. However, they have not seemed to have introduced it this Congress. Sen. Joni Ernst, R-Iowa, has introduced the RECEIPTS Act, but it goes beyond simple audit and does not yet have any co-sponsors. In the House, Reps. Mark Pocan, D-Wis., and Andy Biggs, R-Ariz., have a bipartisan audit bill. In addition, members such as Rep. Maggie Goodlander, D-N.H., have sponsored Pentagon audit amendments at the committee level.

For more information on the Sanders-Grassley legislation, see United States Congress. “S. 2054 — Audit the Pentagon Act of 2023.” United States Congress, 20 June 2023, <https://www.congress.gov/bill/118th-congress/senate-bill/2054>. Accessed 5 May 2026.; And Sanders, Bernie, and Chuck Grassley. “Audit the Pentagon Act One-Pager.” Office of Senator Bernie Sanders, 2023, <https://www.sanders.senate.gov/wp-content/uploads/Sanders-Grassley-Audit-the-Pentagon-Act-One-Pager.pdf>. Accessed 5 May 2026. And; Paul, Rand. “Dr. Rand Paul Joins Bipartisan Push to Audit the Pentagon and End Wasteful Spending.” Office of Senator Rand Paul, 21 June 2023, <https://www.paul.senate.gov/dr-rand-paul-joins-bipartisan-push-to-audit-the-pentagon-and-end-wasteful-spending/>. Accessed 5 May 2026.

For more information on the Ernst legislation, see United States Congress. “S. 3902 — Reviewing Every Check and Each Invoice Purchasing Troops’ Supplies Act.” United States Congress, 24 February 2026, <https://www.congress.gov/bill/119th-congress/senate-bill/3902/text>. Accessed 5 May 2026. And; Ernst, Joni. “Ernst: Here’s How to Make Sure Our Military Gets Maximum ‘Bang’ for the Taxpayer’s Buck.” Office of Senator Joni Ernst, 11 February 2026, <https://www.ernst.senate.gov/news/press-releases/ernst-heres-how-to-make-sure-our-military-gets-maximum-bang-for-the-taxpayers-buck>. Accessed 5 May 2026.

For more information on the Pocan-Biggs legislation, see United States Congress. “H.R. 7555 — Audit the Pentagon Act of 2026.” United States Congress, 12 February 2026, <https://www.congress.gov/bill/119th-congress/house-bill/7555>. Accessed 5 May 2026. And; Biggs, Andy, and Mark Pocan. “Pocan, Biggs Introduce Audit the Pentagon Act.” Office of Congressman Mark Pocan, 12 February 2026, <https://pocan.house.gov/media-center/press-releases/pocan-biggs-introduce-audit-pentagon-act>. Accessed 5 May 2026.

For more information on the Goodlander amendment, see Goodlander, Maggie. “Goodlander Champions Amendment Requiring the Pentagon to Conduct and Pass an Independent Audit.” Office of Congresswoman Maggie Goodlander, 29 April 2025, <https://goodlander.house.gov/media/press-releases/goodlander-champions-amendment-requiring-the-pentagon-to-conduct-and-pass-an-independent-audit/>. Accessed 5 May 2026.

- 26.** Kullab, Samya, and Illia Novikov. “Ukraine Taps Weapons Surplus and Funding Streams to Sustain Fight Against Russia.” Associated Press, 17 September 2025, <https://apnews.com/article/ukraine-russia-war-weapons-surplus-funding-72eeb6119439146f1939d5b1973a44ef>. Accessed 5 May 2026. Shepardson, David. “Fact Check: Pentagon Did Not ‘Accidentally’ Send \$62 Billion to Ukraine.” Reuters, 31 July 2024, <https://www.reuters.com/fact-check/pentagon-did-not-accidentally-send-62-billion-ukraine-2024-07-31/>. Accessed 5 May 2026.
- 27.** Slayton, Nicholas. “Pentagon Fails Its 8th Audit in a Row.” Task & Purpose, 20 December 2025, <https://taskandpurpose.com/news/pentagon-fails-8th-audit/>. Accessed 5 May 2026.
- 28.** Paladino, Jason, Nick Schwellenbach, and Adam Zagorin. “How a ‘Small Business’ Kingpin Wins Billions in Defense Contracts.” Project On Government Oversight, 18 February 2021, <https://www.pogo.org/investigates/how-a-small-business-kingpin-wins-billions-in-defense-contracts>. Accessed 5 May 2026.