

Draft GAO Report Findings Continue to Fault DCAA's Independence

Written by Administrator
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Government Executive (www.govexec.com) reported on August 6, 2009 that it had obtained an internal DCAA memoranda discussing the findings of the upcoming second GAO report--and (unsurprisingly) the GAO has found fault with DCAA's audits. In July 2008, [a similar GAO report](#) was highly critical of DCAA's audits in its Western Region. The 2008 report created a firestorm of controversy, including a denunciation of DCAA on the Senate floor, Congressional hearings, and a report from the independent Defense Business Board containing [recommendations](#) for reforms to "DCAA's culture, structure, and business practices." According to the GovExec.com article, the DCAA memoranda state that GAO reviewers looked at 37 audit reports issued between 2004 and 2006, and every single report failed to comply with some aspect of Generally Accepted Government Auditing Standards (GAGAS).

The article reports that "GAO focuses much of its attention on a lack of quantitative testing," and that the report will find that "auditors failed to review a sufficient amount of transactional data such as payroll records, vendor receipts and system invoices." The article notes, however, that GAO may have failed to link these alleged audit failures to any monetary harm suffered by the DOD. The article quotes a source asking, "'What did GAO find that the DCAA missed? ... The answer is, there is no answer. They did not explain how the additional testing would have affected the results.'"

According to the internal DCAA memoranda, GAO will recommend that DCAA should be more independent from other DOD agencies "with greater power similar to that of an inspector general." It is not clear that giving DCAA more independence and/or subpoena power will result in higher-quality audits. To the contrary, the Government Executive article quotes an unnamed California DCAA auditor as saying, "The audits DCAA [are] issuing now are untimely and poor in quality. ... The metrics still control the audit risk, despite the better judgment of the senior auditors that do all the real heavy work at DCAA."

Although the final GAO report has yet to be issued, if the GovExec.com report is accurate, DCAA could be in for another rough time. After the 2008 GAO report, DCAA implemented "reforms" that resulted in a loss of auditor discretion, harsh audit approaches, a proliferation of "flash" audit reports, and a bias toward disapproval of contractor internal control systems. Consequently, DOD contractors should be alert for future changes to audit guidance that impact how they do business with the Department of Defense.

The GovExec.com article is [here](#) .