

DCAA Defends Itself While Disgruntled Auditors Disagree

Written by Nick Sanders

Wednesday, 12 December 2012 00:00

Recently we've posted [our thoughts](#) about a recent DOD Inspector General audit report that took issue with DOD's decision to forego DCAA audits on certain low dollar-value contractor cost proposals, which pushed that workload over to DCMA contracting officers. In the past, we've posted our thoughts about DCAA's insane backlog of unperformed audits of contractor proposals to establish final billing rates. We've also posted

[our musings](#)

about a GAO audit report that found that DCMA had been mismanaged and, as a result, had lost critical skills—leaving it overly reliant on DCAA.

As a result of the foregoing—as well as certain other issues such as DOD's difficult-to-understand obsession with the healthcare costs of ineligible dependents—we called out DCAA, DCMA, and DPAP leaders. We suggested that it was time for them to let other folks take their turns in the batter's boxes. That suggestion was quoted by GovExec.com in [its story](#) about DCAA "auditing triage" approach that reviews "fewer contracts" but focuses on "high-dollar returns."

Recently, GovExec published a "[rebuttal](#)" to the DOD IG audit report from "a senior Defense official familiar with DCAA." That anonymous source generated a nice blind quote that the IG "analysis is fundamentally flawed" and asserted that the new audit approach does not leave "money on the table."

There are more blind quotes from the anonymous senior Defense official. They're hardly worth mentioning, because they're blind quotes. Anonymity might be all the rage within The Beltway, but we don't believe anonymous quotes should be taken too seriously. Nor should anonymous comments left by self-identified current and former DCAA auditors.

But before we move on, we want to let you know that this anonymous senior Defense official offered the following assertion to GovExec—

The official said the savings DCAA achieved through its reassignments of employee hours to high-risk contracts were higher in fiscal 2012 than the previous year, and, contrary to the IG's conclusions, the efficiency of the 'move of auditor resources to the right spots has proven out.' DCAA's backlog of pending audits, the official added, ought to come down now that the agency has been given additional people and resources.

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Well.

We've posted our thoughts about this issue on this website blog for all to see. The fact is that *we agree* with the anonymous official. We also expect that DCAA will be able to show a significant reduction in its backlog of pending audits in its next reporting cycle. However, we disagree as to the *cause* of the reduction.

The anonymous Defense official asserts that the backlog reduction stems from "additional people and resources"—but we think it's going to come from risk-waiving low ADV audits as well as relaxing some of the GAGAS-compliance insanity imposed on the auditors during 2010 and 2011. Other contributing factors will be the near disappearance of CAS compliance reviews, business system reviews, and post-award "defective pricing" audits from the "pending" category.

But that's not all.

The linkage of MAARs with the 10100 audits has permitted auditors to perform only the most superficial procedures to address the Mandatory Annual Audit Requirements. We've also noticed that FAOs are dialing down the WAWF voucher reviews that have plagued the audit workforce since DCAA withdrew contractors' direct-billing authority. The use of Memos in lieu of formal audit reports has permitted costs to be questioned without the unpleasant necessity of complying with GAGAS and going through all that nasty IRR and SAQ stuff that slows down more formal audits.

So we think those are the critical causal factors that will lead to the backlog reduction, and not the addition of "people and resources."

Also: to the anonymous "senior Defense official familiar with DCAA," we offer the observation that the phrase "additional people and resources" is, by and large, *redundant*. DCAA's audit resources are made up of nothing but people. Its people *are*

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its resources. Something to consider the next time you offer a blind quote, perhaps?

And speaking of DCAA people: *we get e-mails*. A couple of concerned DCAA auditors (or folks who claimed to be DCAA auditors) weighed-in with some vitriolic comments about DCAA leadership and audit procedures. A couple of them asked that Apogee Consulting, Inc. sponsor a discussion forum on this site, so as to give these disgruntled DCAA folks a place to vent. To those people: we are looking at the best way to make that happen. It's our New Year's resolution.

But make no mistake: despite our provocative assertion that the current leaders of the DOD contractor oversight regime should consider making room for new leaders with new visions, we are NOT DCAA-haters. We respect the mission of the Defense Contract Audit Agency and we respect the mission of the Defense Contract Management Agency. Those are essential organizations that provide a critical set of skills that support the war fighters in executing their national security mission.

But we think those missions are so critical that they demand a more effective leadership. We need effective oversight, and not more entrenched bureaucracy.

So if we do open up a discussion forum on this site, it will be moderated. And we will demand constructive criticism; we will not tolerate personal attacks. Those who can't offer respectful, informed, criticism will be banned. You have been warned.

And to those who e-mailed us about the new Leadership Program at DCAI, thanks for the info. Our natural cynicism tells us that using the current leaders to train the next generation of leaders is going to be problematic. We've also come to the conclusion that leaders can't flourish in an environment of fear, where the truth is suppressed in order to perpetuate the party line. (That latter comment is not directed at any particular organization; we think it's a general truism.) So while we'd like to be able to see this as a hopeful sign, we're not really convinced it's going to work out as planned.

As a side note, we offer another observation that when you create so many new Branch Offices and Resident Offices, you create an artificial demand for new leaders. If you were to de-establish those new FAOs and "demote" those recently promoted Branch Managers back

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to the ranks of experienced Supervisory Auditors, you might find you had some excellent auditors, capable of exercising judgment and discretion. We offer that observation in the spirit of constructive criticism.

See? It's not that hard.