

DCAA Had Another Good Year, According to DCAA

Written by Nick Sanders

Tuesday, 18 June 2013 00:00

First, a confession.

We really didn't want to write this article. Quite honestly, writing this article feels too much like kicking someone when he's down. We don't want to be the DCAA bully; truly, we don't. But we also want to be truthful reporters of the facts.

And the facts are: DCAA still cannot get its act together, no matter how Director Fitzgerald spins the story.

Last year we [wrote about](#) DCAA's annual report to its personnel and about its annual report to Congress. We did not have many nice things to say about DCAA's report to Congress. We did not have anything nice to say about the decrease in productivity (as measured by the number of audit reports issued) or the startling increase in the length of time it took to issue an audit report on a contractor's proposal to establish final billing rates (commonly called an "incurred cost proposal" or "incurred cost submission"). Rather, we thought DCAA leadership ought to have been ashamed of its statistics.

That article kicked-off a series of articles and comments and input about DCAA's productivity. Suffice to say, nobody but Director Fitzgerald thought DCAA had had a good year.

The GFY 2012 [Report to Congress](#) reads like a clone of the FY 2011 Report to Congress—only things have gotten worse, instead of better.

In GFY 2011, DCAA claimed \$3.5 billion in (inflated and inaccurate) taxpayer savings by questioning 9.25 percent of every dollar the agency audited. In that year, DCAA's 4,225 auditors issued 7,390 audit reports, including 349 incurred cost audit reports that took, on average, 965 days each to complete.

In GFY 2012, DCAA claimed \$4.2 billion in (inflated and inaccurate) taxpayer savings by questioning 8.0% of every dollar the agency audited. In that year, DCAA's 4,492 auditors

DCAA Had Another Good Year, According to DCAA

Written by Nick Sanders
Tuesday, 18 June 2013 00:00

issued 6,716 audit reports, including 1,795 incurred cost audit reports that took, on average, 1,184 days each to complete.

We also noted that DCAA's backlog of incurred cost audits pending audit is now up to roughly 26,000 from last year's 25,000. DCAA told Congress—

This backlog was the result of a conscious decision to defer incurred cost audits. DCAA made this decision because contract spending increased while DCAA staffing levels remained fairly constant between FYs 2000 and 2009; consequently, DCAA did not have the staff to perform all the work it had to do. Incurred cost audits were one of the few areas that could be deferred.

We will avoid further comment, and let the numbers speak for themselves.

As was the case with last year's Report to Congress, DCAA told Congress that it would be more productive if only it had more authority for force contractors to give them what it needed to conduct audits. For example, DCAA requested "authority to review and subpoena 'data other than certified cost or pricing data.'" The agency also requested statutory authority to have access to contractor's internal audit reports, and authority "for direct and online access to contractor's [digital accounting data]." DCAA also requested a FAR revision that would clarify that its access to contractors' cost data and records would also include access to contractor personnel.

As you might imagine, we here at Apogee Consulting, Inc. do not think that granting *any* of those requests will lead to significant improvements in DCAA audit timeliness or audit quality. We assert the real problem is more fundamental, and includes audit agency management of budgets and personnel. Audit policy decisions made since 2008 may be a significant contributory factor, as well.

Enough of this; we're tired of deconstructing DCAA spin. Meaningful change and meaningful improvement will only come from fundamental changes at DCAA. Meanwhile, DCMA continues to move forward on its own, freeing itself from its historical reliance on the critically damaged Pentagon audit agency.