

## Opinions re: the State of the DCAA Audit Environment

Written by Nick Sanders

Wednesday, 04 December 2013 00:00

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Our colleague and friend, Mr. Darrell Oyer, publishes a monthly newsletter to his clientele. We are lucky to be on the mailing list and thus receive the benefit of Mr. Oyer's wisdom. Recently, Darrell went off on DCAA and we want to share some of his rant with you.

Understand, please, that Mr. Oyer is offering an informed opinion about the current state of DCAA. Darrell spent roughly 20 years with DCAA in various positions, including Assistant RAM and Assistant Director, Policy and Plans. After leaving the audit agency, he joined the "Big 8" professional accounting firms and became a Partner at Deloitte & Touche. So Mr. Oyer knows whereof he speaks.

When he says, "it is most important [in the current audit environment] to be sure to have an extensive audit with elaborate workpapers in such a manner that no one could criticize the audit" he is *not* merely ranting for the sake of ranting (as we have been accused of doing in the past). Instead, he is using his first-hand experience and background to draw conclusions—conclusions that seem, quite honestly, damning.

What set Darrell off was the receipt of a note from DCAA by one of his clients. The note informed the client that the audit report would not be issued, even though it was nearly complete and the client had been supporting it for some time. Instead of issuing a formal, GAGAS-compliant audit report, DCAA chose to issue a 13-page "Results of Audit for work conducted within time constraints" memo to the ACO—and the contractor was told not to bother to issue any response to it. The reason given for the premature audit wrap-up was "due to the time constraints with the Statue [*sic*] of Limitations."

Readers may remember [we wrote](#) this approach was becoming the new norm for how DCAA operates, and seems designed to generate as many questioned cost dollars as possible while simultaneously avoiding issuing anything that would subject the agency to criticism that it was not complying with GAGAS. How's that working out for DCAA?

Mr. Oyer didn't think too much of DCAA's output. He wrote, "The 13 page draft report is replete with misspellings, repetitions, inconsistencies and inaccuracies and is laughable to anyone but the contractor!"

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He went on to look for the root cause of the situation. He asserted it stemmed from “changing the DCAA mission from ‘providing financial advice to Contracting Officers’ to ‘protecting the taxpayer interest.’” As a result, “we have an audit for the sake of having an audit rather than for assisting either the CO or protecting the taxpayer.”

Mr. Oyer is not the only individual criticizing DCAA’s new approach to auditing.

Over on LinkedIn, one former DCAA auditor posted—

[I] have actually been busy working [in a new job], unlike my experience at DCAA where I sat around with nothing to do for days or weeks.

The office I worked in was a ‘mobile’ office as opposed to a resident office, so we saw a lot of the smaller submissions and I had to do those ridiculous ‘risk assessments’. It was a complete joke. Basically anything under \$100M was never audited, regardless of whether their submission appeared to have issues. As long as it met the adequacy checklist (which just basically means that they included everything and the math is right), then it was assessed for risk. Low risk was done and closed out. High risk was looked at again and considered, but usually got a decrement memo issued just before the statute expiration unless it was over the \$250M.

When I left, they were still trying to figure out how to issue a proper opinion on a report. They didn't know how to issue a Disclaimer... even though the agency is full of CPA's. ...

I could go on and on.... but I have work to do now.... rather than sitting around and being told to charge time on an audit when I'm not actually doing anything (waiting for Supervisory review), and being bored out of my mind wishing that I could actually work on some of the audits that they were tossing out the door, I'm actually busy every day. I'm told that my former office manager keeps complaining about how they don't have enough auditors and need to hire more... all while auditors sit around with nothing to do and only have 1 audit assigned to them at a time, taking months to complete it because no one questions their hours.

A former DCAA auditor and a former DCAA leader both agree that the agency’s current approach to conducting audits—or, should we say, issuing Memoranda in lieu of audit reports—serves neither the needs of the Department of Defense nor the public interest.

When will the DOD IG, GAO, and/or Congress realize the same thing?

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