

The 2014 Annual DCAA Report to Congress

Written by Nick Sanders
Monday, 01 June 2015 08:13

Meh.

That's not just our opinion. For example, in [this article](#) at The National Law Review, two attorneys from Covington & Burling write that this year's version of the annual report "will look familiar to many" and that DCAA's recommendations to Congress to address perceived audit impediments "will be familiar to readers of previous reports."

Yep. There is not much novelty in this year's version. Trends noted in prior reports continue. Areas of weakness remain, and recommendations for improvement continue.

See for [yourself](#).

There's not much meat to chew on in this year's Report to Congress. The meat will be found in the DoD Inspector General Semi-Annual Report to Congress, which should be published next month. We'll have more to say about the state of the DoD's once-premier audit agency at that time.

In the meantime, consider this—

- DCAA auditor staffing levels reached 4,556 in GFY 2014, an increase of nearly eight percent from GFY 2011 levels. Despite that staffing increase (which came in the midst of sequestration and other budget pressures), DCAA managed to issue only 5,688 audit reports in GFY 2014, a decrease of 23 percent from GFY 2011 levels.
- In GFY 2011, DCAA issued 1.75 audit reports per auditor. In GFY 2014, DCAA issued 1.25 audit reports per auditor.

We consider that to be a problem.

Another problematic statistic is that DCAA reported that it still takes the audit agency more

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than 1,000 days to perform an incurred cost assignment and to issue an audit report to a cognizant Federal agency official (CFAO) for negotiation with a contractor. That means it still takes DCAA nearly three full years to perform an audit on one year's worth of contractor costs. That's not good.

Despite those problematic numbers, DCAA reported that it had managed to "close" 11,101 incurred cost assignments during the year, leading it to report that the agency had worked down its backlog of incurred cost audits to a year-end balance of 18,185 – for a reported reduction of 21 percent during GFY 2014.

Given that it takes nearly three years to audit one year and that the agency issued a total of 5,688 audit reports for all assignments (of which incurred cost assignments are merely a subpart), the obvious conclusion is that DCAA is "closing" incurred cost assignments by means other than performing audits. Perhaps those closed, non-audited, incurred costs assignments are for contractors deemed to be "low-risk," or perhaps they are related to final billing rate proposals deemed to be inadequate for audit. In that latter case, DCAA simply throws up its hands, recommends a Draconian decrement of 16.2%, and then passes the buck to the CFAO for action.

Which is nice for DCAA's statistics, but does little to actually finalize indirect rates and close-out contracts.

But none of those numbers or statistics—or our opinion of them—is new. It's all a rehash of previous numbers, statistics, and commentary. You can find our analysis of prior years' Reports to Congress on this site.

You can also find our opinions on this site about DCAA's hollow recommendations that Congress *do something* to help out the poor audit agency. We've not been reticent about expressing them.

To conclude: for this year's version of the annual Report to Congress, we rate it "*meh*" and look forward to digging into the more meaty statistics soon to be published by the DoD OIG.

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