

Looking at DCAA's 2014 Statistics

Written by Nick Sanders
Monday, 29 June 2015 08:53

As we do every year, we look back at DCAA's Government Fiscal Year (GFY) results to evaluate how the DoD's premier contract audit agency is faring. Using a combination of DCAA's Annual Report to Congress and the DoD Inspector General's Semiannual Reports to Congress, we look for trends and attempt to draw some conclusions. We've trended DCAA's metrics back to FY 2006, so we have some robust data at this point.

We did a bit of "first approximation" analysis about a month ago, in [this article](#). That analysis was based solely on the GFY 2014 DCAA Annual Report to Congress. As we noted in the article, we did not use the DoDIG Semiannual Report. Still we noted a few things, to wit—

... consider this—

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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.

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In GFY 2011, DCAA issued 1.75 audit reports per auditor. In GFY 2014, DCAA issued 1.25 audit reports per auditor.

... DCAA reported that it still takes the audit agency more 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. ... 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.

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To sum up that initial analysis, in GFY 2014 DCAA continued to do less with more. Despite adding audit staff, the number of audit reports continued to decline. Before we get into detailed comparisons, we have to be forthright and tell you that the official numbers are squishy. For example, sometimes staffing is reported as “audit workyears” and sometimes as “audit staff”—are those the same things, or not? Our analysis assumes they are. Also, in GFY 2009 DCAA reported “assignments completed,” not “audit reports issued,” which is not at all the same thing. The distinction between the two metrics grows more important each year, since DCAA is now closing more assignments without issuing an audit report than ever. In fact, our analysis shows that *nearly two-thirds* of all audit assignments are closed without the issuance of an audit report. Finally, DCAA reports its metrics two different ways. In the DoD Semiannual Report to Congress DCAA makes a distinction between “questioned costs” and “funds put to better use”. The audit agency doesn’t count questioned costs on “forward pricing proposals” in its questioned cost totals. On the other hand, in its own Annual Report to Congress, DCAA most definitely *does* count those “funds put to better use” as questioned costs, and claims those dollars count as taxpayer savings if the cognizant Contracting Officer implements them. (See Figures 3 and 4 in DCAA’s Annual Report.)

Interestingly, DCAA told Congress that –

DCAA takes a conservative approach to reporting savings and return on investment. DCAA savings do not represent potential savings or possible future savings if DCAA recommendations are implemented. Instead, DCAA only reports savings that have been realized based on actions taken by Government contracting officers.

That may be true (and it is certainly true in the DoDIG Semiannual Report to Congress), but DCAA still counts its findings on contractor cost proposals in its “questioned costs” metrics, and thus so do we.

Finally, let’s discuss other statistical problems that we need to tell you about. What is one to make of this? According to DCAA’s GFY 2014 Annual Report to Congress, DCAA issues four categories of reports: (1) Forward Pricing, (2) Special Audits, (3) Incurred Cost, and (4) Other. But according to the DoD IG Semiannual Report to Congress, the four categories are (1) Incurred Costs, Op Audits, Special Audits, (2) Forward Pricing Proposals, (3) Cost Accounting Standards, and (4) Defective Pricing. It’s almost as if somebody doesn’t want people comparing the reports, using the metrics and analyzing trends.

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With all that out of the way, let's look at DCAA's GFY 2014.

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DCAA completed 15,857 assignments, but issued only 5,688 audit reports. Consequently, DCAA closed 10,149 assignments without issuing an audit report. Sixty-four percent (64%) of all assignments were closed without issuance of an audit report.

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DCAA examined \$182,743,100 in GFY 2014, and questioned \$10,689,100 of that amount. Consequently, DCAA questioned 5.85% of each dollar examined. In contrast, last year (GFY 2013) DCAA examined \$163,075,100 and questioned \$16,010,200 of that amount, for a questioned cost ratio of 9.8%.

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For another contrast, in GFY 2007 DCAA examined \$358,351,600 and questioned \$13,954,600 of that amount, for a questioned cost ratio of 3.9%.

What do those metrics tell us? Well we can see that DCAA has started to reverse the trend of examining fewer dollars each year. Almost \$20 million more dollars were examined last year than in the prior year. However, the amount of dollars examined is still dramatically less than was examined before the attacks on DCAA by GAO and the DoD IG.

DCAA continues to have problems in the area of incurred cost audits. Despite touting the reduction in IC backlog, the fact of the matter is the reduction was achieved by closing assignments without issuing audit reports. DCAA issued a mediocre 3,796 IC/Special audit reports in GFY 2014, which was actually *9 percent less* than the 4,187 audit reports issued in GFY 2013. We [predicted](#) this bureaucratic legerdemain back in November, 2013. Clearly, the agency is "risking-away" its IC backlog without performing audits on those dollars. While that's great news for contractors, we predict Congress is going to be less than thrilled when that fact surfaces.

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GFY 2014 also saw the continuation of a trend in the area of “post-award” (defective pricing audits). DCAA issued an astounding 24 DP audit reports in the year, across the entire agency. (That’s fewer than the paltry 31 GFY 2013 DP audit reports—and dramatically fewer than the 485 DP audit reports issued in GFY 2006. We can’t say with any certainty why DCAA has chosen to focus its efforts elsewhere, but we do note that the agency reported generating \$117,500,000 in GFY 2014 questioned costs associated with those six reports ... so we would think that would be a fruitful area for DCAA to go ferret out taxpayer savings.

Well, that’s about it for GFY 2014.

Except for one thing.

We’ve looked at DCAA’s productivity, in terms of dollars examined, audit reports issued, audit reports not issued, and dollars questioned. What about audit quality?

We’ll tackle that topic in an upcoming article.