

Recently we [discussed](#) DCAA's apparent concern with provisions of the as-yet-unsigned FY 2016 National Defense Authorization Act (NDAA) which, if implemented as drafted, would prohibit DCAA from performing audits for non-DoD agencies until and unless it catches-up on its well-publicized backlog of "incurred cost" audits. In that blog post, we stated—

Let's be clear that we are almost wholly without insight into how DCAA prepares and manages its budgets – but it seems fairly obvious that Field Audit Offices (FAOs) are being created and staffed (and presumably funded) at the local Branch level. Why? Why not budget and manage at the Regional Level and let the appropriate Regional leadership determine where best to put his or her scarce audit resources, given the overall funding provided? Why determine local staffing based on local budgets, augmented by reimbursable work? Doesn't that impact prioritization of the agency's workload?

It sure seems that way to us.

Well, we have received some additional information on that point that we will share in this article. But in the meantime

Recently we posted a couple of blog articles bemoaning the lack of published DCAA audit guidance (aka Memoranda for Regional Directors or MRDs). In response to our whining, several individuals took it upon themselves to send us copies of the "releasable" MRDs. It is readily obvious that, to DCAA leadership, "releasable" means the MRDs *can* be released, not that they *must* be released. DCAA leadership apparently likes to keep its audit guidance to itself. Thus, if people didn't send us the MRDs, then we wouldn't know about them.

But we don't see all the releasable MRDs. We have seen some but there are other folks who, apparently, have had access to other MRDs. One consequence from DCAA's close-to-the-vest approach is that there is now an unofficial competition to see who can access the hidden MRDs. After all, information is power and the more access you have to understanding DCAA's audit approaches, presumably the more valuable you are to potential clients.

DCAA Staffing, Resources, and Transparency of Same

Written by Nick Sanders

Friday, 23 October 2015 00:00

Our professional colleagues at Redstone Consulting seem to have good access to the hidden MRDs, as evidenced by their September [newsletter](#). Among the many interesting topics is a discussion of the DCAA 2016 Staffing and Program Plan. We commend it to your attention. But the point here is not the content of Redstone Consulting's article; the point is the article is based on access to a heretofore hidden DCAA MRD (15-OWD-025(R); August 13, 2015), which lays-out DCAA's "high level plans for deploying 4,969 staff years." Redstone Consulting has access to this information and most other non-DCAA folks do not.

Is the information important to contractors? Sure it is.

For example, the Redstone Consulting newsletter reports that the MRD contains such useful information as "DCAA is now planning estimating system and MMAS audits at 5,000 and 4,000 hours each, respectively. In unprecedented fashion, DCAA lists the 12 Estimating System audits by contractor and the 5 MMAS audits by contractor." In other words, Redstone Consulting knows exactly which contractors are going to have estimating system and MMAS reviews performed on them; and it is likely that those contractors have no idea what is coming their way. Does this information give Redstone Consulting a competitive advantage in the marketplace? You bet it does. Courtesy of DCAA leadership.

To add to that point, according to Redstone Consulting's reading of the secret MRD, "DCAA HQ has identified 27 [post-award or "defective pricing"] audits at 16 different contractor business segments." Redstone Consulting knows exactly which contractor business segments are going to be audited; it is likely those segments do not yet know—unless and until Redstone Consulting reaches out to them to let them know.

Lest you think we're simply whining about the situation, let us hasten to assure you that we are in possession of heretofore secret MRDs of our own—courtesy of a kind soul who goes by the *nom de guerre*

"George Kaplan." George recently gifted us with a copy of MRD 15-OWD-028(R) (September 22, 2015), which modifies slightly the information that Redstone Consulting's MRD contained. Our MRD addresses "FY 2016 Revised Staff Allocations" and tells us that DCAA is budgeting 5,014 staff years for FY 2016 audits. It even breaks-out the allocations by Region. So there, Redstone Consulting!

It should be noted that DCAA allocating staff to Regions is exactly what we said the agency should be doing, and what we complained that they weren't doing. Thus, even if our

DCAA Staffing, Resources, and Transparency of Same

Written by Nick Sanders

Friday, 23 October 2015 00:00

fundamental point that FAO budgets should not be considered and the only budget line should be at Region was correct (and we still think it was correct), we have to acknowledge that DCAA HQ is allocating staffing budgets to the Regions for the Regional Directors to then manage. Good on them for doing so.

That being said, we think we've made our point that withholding releasable MRDs does not protect the information. Instead, holding-back such information merely creates unequal access to information amongst those interested in having it. That unequal access to taxpayer-funded audit guidance not only creates that unintended consequence; it also flies in the face of a Presidential commitment to openness and transparency.

There is no reason to be coy with releasable MRDs and every reason to be transparent and forthright in publishing the guidance. It's a shame that DCAA won't do so.