What If DCAA Only Did Audits?

Written by Nick Sanders
Thursday, 21 January 2016 00:00

Say what you will about the Defense Contract Audit Agency – and *boy howdy* have we said a *lot* over the past eight years – it is an inescapable fact that the audit agency has a backlog of unperformed audits and that backlog has hobbled the ability of both government and contractor to timely close-out contracts. As a result of the backlog of unperformed audits, unliquidated obligations are held open unnecessarily long, final payments (which would include payments of final fees) are unnecessarily delayed, and past performance information (in terms of how much unallowable costs contractors claim) doesn't get reported (and/or used) as the FAR intends.

That backlog of unperformed audits is a problem. It's been a problem for years. DoD Leadership has spoken publicly about it. Congress has held hearings about it. GAO and various Inspectors General have expressed their concerns. Everybody has been waiting for DCAA to fix its problem, and the wait has gone on through the tenure of one Director and into the tenure of another.

As we reported, DCAA figured-out a "risk-based" way of closing out certain audit assignments without, you know, actually performing those audits. DCAA also figured-out a way of closing out other audit assignments by declaring the submissions to be irredeemably inadequate (in the short timeframe DCAA gave certain contractors to fix the alleged inadequacies)—and then kicked the proverbial can over to DCMA and made it DCMA's problem to fix. The DCAA files say "assignment closed" and the unaudited submission no longer counts as backlog, as far as DCAA is concerned.

DCAA has figured-out several innovative ways to reduce its backlog of unperformed audits and, indeed, the reported backlog has dropped over time. DCAA claims this is a significant milestone and is indicative of performance improvement at the audit agency. Nonetheless, the backlog is still in excess of what the prior Director promised Congress and DoD Leadership and the taxpayers. It is still (at last report) about 170% of what the audit agency considers "normal backlog" (which is defined as 18 months' worth of work—meaning DCAA would only be a little behind instead of being embarrassingly behind).

DCAA's backlog reduction came too little, too late. DCAA failed to meet its commitment and now the audit agency is being held accountable for its failure. Congress, growing impatient with hollow promises and lack of progress, has acted to "help" DCAA out of its mess.

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Congress acted in the form of statutory language in the FY 2016 National Defense Authorization Act (NDAA) that flat-out prohibited DCAA from performing audit work for any non-DoD agencies until it had reduced its backlog to "normal" levels.

In other words, Congress told DCAA that, given the audit agency's inability to properly manage its workload, Congress would set the priorities for the audit agency. Congress would help DCAA focus on its audit backlog by prohibiting DCAA from wasting its scarce audit resources on activities that were not related to the backlog of unperformed audits. The Congressional action was similar to a teacher telling a distracted student to *stop daydreaming and focus on the assignment*   . It was similar to a parent telling a teenager to
stop playing video games until the homework assignment has been completed
.

It was a desperation play, because (obviously) we shouldn't need a public law to tell DCAA what to audit. But apparently some people in Congress thought we did. So now we do.

And DCAA has figured-out how to get around it.

On January 7, 2016, DCAA issued MRD 16-PPD-001 (R), entitled "*Audit Guidance on the Impact of the National Defense Authorization Act on DCAA's Audit Support to Non-Defense Agencies*   ." The apparent purpose of the MRD is to tell auditors how to keep supporting non-DoD agencies. The apparent purpose of the MRD is to explain how DCAA will be ignoring Congressional intent. The apparent purpose of the MRD is to demonstrate (once again) how DCAA will keep doing what it wants to do, regardless of what outsiders may think.

The MRD states: "The NDAA prohibits DCAA from providing audit support to non-Defense Agencies/ reimbursable customers. Our legal team has advised that we can continue to provide services that fall outside audit support."

In other words, DCAA has received a legal opinion that splits the hair and ignores the spirit of the law in favor of the letter. Sure, the NDAA says DCAA cannot perform audits for non-DoD agencies; but nobody ever said DCAA can't perform other services for those same agencies.

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DCAA is clearly ignoring Congressional intent here. Congress told DCAA to quit messing around with non-DoD stuff and focus all resources on getting its backlog of unaudited DoD submissions handled. The DCAA MRD ignores that, and permits resources to be squandered on matters other than the task that Congress wants DCAA to address.

So what kind of non-audit services can DCAA auditors perform for non-DoD agencies, according to the MRD? It states—

The following are the types of effort that we have determined are permissible to support reimbursable customers:

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Negotiation support,

-

Litigation support,

-

Investigative support (performed by OIS), and

-

Non-audit services (e.g., requests for specific cost/rate information).

There you go. DCAA will continue to provide those services to non-DoD agencies.

But it got us wondering … *what if DCAA only performed audits*? What if DCAA only performed

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audits for DoD agencies? What if DCAA didn't provide negotiation support or litigation support or non-audit services … *for anybody*?

If DCAA concentrated its resources solely on performing audits, and on performing those audits solely for the Department of Defense—then how quickly could that backlog of unperformed audits be reduced?

If DCAA focused its efforts, it might find it has sufficient resources to, you know, actually audit all incurred cost submissions, just as it used to do!

Wouldn't that be nice?