

DCAA All Caught Up ... but Too Late?

Written by Nick Sanders

Wednesday, 12 October 2016 00:00

We recently spent a lot of words [discussing](#) how DCAA is now able to perform, once again, the full panoply of audit services for non-DoD agencies. This article is kind of a postscript to that one. In this shorter essay we want to explore whether the DoD Comptroller Certification to Congress was a bit too little, too late.

We've been tracking this for a while. We've reported that both NASA and the Department of Energy (DOE) have been concerned about the lack of DCAA audits – as well as the timeliness and quality of what audits have been performed by DCAA – for some time. We've been on this topic for some time. For years, as a matter of fact. Don't believe us? You can search this site and see the articles. We're not going to link to them here.

So while DCAA was busy not performing audits at non-DoD agencies, what were the auditors doing? First, they were lobbying Congress to get the statutory ban lifted. When that didn't work, they focused on eliminating as many unaudited proposals as possible from the backlog. And while that was going on, they were working hard to persuade those non-DoD agencies to be patient and await GFY 2017, when DCAA would return to be their auditors once again.

But that approach didn't really work either. As we have noted before, DOE OIG and NASA OIG already had concerns with DCAA's audit support well before the GFY 2016 NDAA came into play. In February, 2015, the DOE OIG found that "DCAA has been unable to meet the non-M&O contract audit needs of the Department" and noted the DOE management had already taken action to address the audit support shortfall. The DOE OIG reported that DOE —

... has put a contract in place for audit services to ensure Contracting Officers have an alternative to DCAA to obtain quality audits; is coordinating closely with DCAA on its audits; and is following up with contracting activities to ensure they understand what is expected and have the appropriate support. Department management also noted that they believe it is important to recognize that whatever good intentions DCAA has, its track record makes it prudent to avoid assuming a marked change in DCAA's support.

A couple of months before that, in December, 2014, we reported that the NASA OIG said "NASA is at increased risk of paying unallowable, unreasonable, and unallocable incurred costs and of losing the opportunity to recoup improper costs because Agency contracting officers rely too heavily on DCAA's incurred cost audit process." The NASA OIG recommended that

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NASA “Revise the NASA FAR Supplement 1815.404-2(a)(1)(F)(1) to allow independent public accounting firms to provide supplemental audit coverage for NASA contracts where DCAA currently conducts any contract audit services but cannot be responsive to NASA’s need for an audit.”

So this is not a new thing and the NDAA prohibition on DCAA performing audits for non-DoD agencies really didn’t affect the management strategies for contract audit support at those non-DoD agencies. But it certainly did get the attention of DCAA’s management team, who have come to rely on funding from those non-DoD agencies to pay for their staff and to pay for an approach to audits that sacrifices audit quality and timeliness in favor of risk assessments and working paper documentation.

While DCAA was working hard to convince Congress it had the resources to provide audit support to non-DoD agencies (and that the audit agency was perfectly ready to pocket all that lovely audit reimbursement funding), both DOE and NASA were busy replacing DCAA with independent contractor auditors.

Earlier this year we [reported](#) that DOE was going to make its M&O contractors audit their subcontractors. And in August, 2016, we [told](#) readers that DOE had made it official: they had put procedures in place to permit DOE contracting officers to obtain audit support services from the private sector. The new DOE policy stated—

As an alternative to DCAA audit support, DOE/NNSA Contracting Officers may obtain audit services from a private sector provider of audit services. One available option is a Blanket Purchase Agreement (BPA) for audit services that is currently in place with CohnReznick, LLP. Orders for audit support can be placed by any DOE/NNSA Contracting Officer through individual awards issued against BPA DE-MA0011836. Each order placed against the BPA is awarded and administered by the field site Contracting Officer placing the order.

And now, October, 2016, the news media is [reporting](#) that NASA has awarded contracts to six independent audit firms, including: Castro & Company, Kearny and Company PC, CohnReznick LLP, KPMG LLP, Moss Adams LLP and Regis and Associates PC. The contracts are reported to be FFP, multiple-award ID/IQ, types, worth up to \$100 million (combined). (Hat tip: Stephen Avery.)

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So DCAA now has competition for audit support services provided to at least two non-DoD agencies. Those agencies will be able to compete required audit services between DCAA and outside auditors, perhaps evaluating price, quality, and timeliness – and making best value trade-offs. That's new.

And if you are a DCAA auditor looking to leave government service and continue your profession elsewhere, you now know you have options ... and where to submit your resume.