

## Goodbye DCAA?

Written by Nick Sanders  
Friday, 30 June 2017 00:00

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GovExec.com has an interesting [article](#) telling its readers what readers of this blog already knew: that Congress wants to have DCAA compete with private CPA firms for audit work. We discussed the proposed game-changing legislation [here](#).

The GovExec article attempts to be balanced, but the weight of the article leans against the legislation as drafted. For example, most of the quotes are from those who think the legislation is a bad idea, including (of course) quotes from Ms. Anita Bales and from the Pentagon itself. It's ironic how the same folks pleading for innovation in technology for the warfighter don't want to see any innovation in the audits of the innovators.

Certain members of Congress also had reservations, according to the article. In particular, Congressman Adam Smith (D-Washington), thought a better approach would be "to give the DCAA director authority and tools to address the backlog, yet hold her accountable for progress. 'That flexibility could be the ability to hire private contractors with appropriate oversight or the ability to hire civil servants expeditiously,' he said."

Congressman Smith was careful not to specify what that additional authority would look like, just as he was careful not to specify exactly how the SES-level Director of DCAA would be held more accountable than she already is.

Similarly, the Project on Government Oversight (POGO) posted a [blog article](#) weighing-in against the legislation. (Welcome back, Nick!) The article is actually a rather nice recap of why audits matter to taxpayers, but it is fatally flawed by a lack of first-hand experience. For example, one example used to show the importance of DCAA audits is the case of Centerra Services International. (We used that case to discuss CAS 402 in [this article](#)

.) The POGO blog article implies that the discovery of Centerra's alleged misbilling originated from a DCAA audit finding; whereas the truth is that the origination was a whistleblower (qui tam) suit and DCAA had nothing to do with it. Contrary to the blog post's assertion, this example is evidence of a lack of DCAA audit quality, since it took a whistleblower to bring the situation to the government's attention.

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Further, the POGO blog article endorses DoD's policy position that DCAA is cheaper and more efficient than independent CPAs, by asserting that DCAA's multiple audits create synergy. It states: "DCAA's other auditing work with the same contractor and on the same contracts benefits from its incurred cost audits, and vice-versa. For instance, DCAA conducts audits of contractors' billing, accounts, and internal control systems. The insights DCAA gains from those audits assists DCAA when it audits a contractor's incurred costs." Those of us with first-hand experience know that *used* to be the case, but that it stopped being true when Pat Fitzgerald took over and instituted an "every audit needs to stand alone" policy. Currently, DCAA auditors generally do not benefit from "insights" gained from other audit findings. Every risk assessment seems to result in the highest assessed risk, regardless of a lack of findings from prior audits.

The POGO blog article ends with DCAA's chart showing a trending reduction in its embarrassingly large backlog of incurred cost audits. Left unmentioned is what readers of this blog already know: most of that reduction has come from calling audits "complete" without actually performing the audit procedures. Just as DCAA now completes nearly three-quarters of its "audits" without actually issuing an audit report or expressing a written conclusion that might be subject to GAGAS, DCAA also "completes" many "audits" without auditing a single taxpayer dollar.

And yet POGO, like Congressman Smith, thinks the status quo is just fine. The legislation's attempt at radical reform should be repealed, according to them.

But there are other opinions.

The GovExec article has quickly gathered a number of comments, some pro and some anti the proposed legislation. One central point of contention has been whether or not DCAA audits are "inherently governmental."

"Jack" says yes, but no. He posted "I agree it's inherently government but DCAA has proven it's inherently incompetent. DCAA has made Incurred cost audits impossible to do. No one with any sense of worth or common sense would want to work as an auditor. It's a nice gig for the layers of management who are never held accountable for anything. Common sense left the door years ago."

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“BKHCPA74” agreed, posting “... Outsource those babies! ... Inherently governmental is a lie! Just saying that to keep the jobs! Outsource it all! I worked for DCAA and such a waste of taxpayer dollars. I could get quality audits out the door in a fraction of the time and better work! I am so fed up of the lie! Audits are NOT inherently governmental!! Too many levels of review and changes made that are majority wordsmithing that goes back and back for months wasting taxpayer dollars!!! If the public only knew the truth! It's quite sad really!”

“Modellsx” has a more balanced posting, writing “DCAA has many flaws, the main one being paralysis by analysis. But this is inherently governmental and private CPA's would not be protecting the taxpayers, they would be protecting the contractors.” (There was more to this post but we're quoting the best bit.)

“Dennis J. Tisdale” posted “DCAA is held to a very high standard since 2009. It is almost impossible for a local office to issue a report because of the layers of review that the audits receive. Allowing only the Resident Auditor or Branch Manager to sign reports has created a totally unmanageable backlog in getting reports issued. The real problem that surfaced in 2009 was never addressed by the new policies. Managers were always working to beef up their productivity metrics and making the metrics harder to meet. This was the underlying cause of the problems.”

“Jack” and “BKHCPA74” started an illuminating thread. We're going to quote at length because readers need to understand the insight that first-hand experience brings.

Jack:

DCAA is beyond fixing. The agency is so broken that the only way to fix it, is to blow it up. I worked at DCAA for many years but left because the insanity and dysfunction took a toll. Near the end of my career there, I wrote then Director Pat Fitzgerald an email on my DCAA email outlining the problems in detail. Within 10 minutes he responded and asked me to call him at an appointed time. I called and explained that the agency was ruled by the fear of being wrong and it had left everyone in a total state of paralysis for doing anything. After listening to me for 20 minutes, he agreed with everything I said and concluded by saying ‘What can I do to fix this?’ ... Thank god I escaped and got a job at DCMA as a cost price analyst sitting 50 feet from where I used to sit. I now do the jobs DCAA used to do and more. Seven of my ex DCAA co-workers joined me in the exodus from DCAA. I love my job at DCMA because what I do is review proposals not document risk all day. It's actually fun to do work. DCAA can't save itself

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because it's culture is totally broken. They will never ever get the work done. My last supervisor at DCAA was more concerned that I claimed 61 miles to visit a contractor, yet he Googled it and got 60 miles. I was called to his office to explain what I did. This is the DCAA mentality!!!!!! This supervisor was considered one of DCAA's best. Sad, sad, sad. They can't see the Forrest through the trees. Everyone knows DCAA is a joke.

BKHCPA74:

I have an audit practice, am a CPA, CFE and have over 15 years of financial statement, contracting and governmental audits! I worked as a senior auditor for DCAA at Lockheed for 3 years on F-35 program and have many years of Federal contracting experience. If the DoD privatizes the work, I am hiring. I have performed incurred cost, forward pricing, provisional billing rate, all kinds. I am service disabled vet and could lowball the competition. Hit me up for work! Business is good!

What's our point of view? (Note that we are not in the audit business and have nothing to gain from the legislation, if passed.) Our recent article on DCAA audit quality and productivity statistics indicates that things are getting worse, not better. Something must be done. If radical change is what's required, then so be it.