

Another DoDOIG SAR – Another DCAA Report Card

Written by Nick Sanders
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Every six months the Department of Defense Office of Inspector General (DoDOIG) issues another Semi-Annual Report (SAR) to Congress. The [latest one](#) was issued May 29, 2018. It covered the first half of GFY 2018—i.e., October 1, 2017 through March 30, 2018. As we do every six months, we looked at Appendices E and F to see how DCAA has been doing, in terms of productivity and quality. It's a report card on the audit agency, if you will. For comparison purposes, the last time we reviewed DCAA's report card was in December 2017—you can find that report card [here](#).

How is DCAA doing?

We're at the point where simply reporting on the number of DCAA audit reports issued is now a misleading metric. This is because *75 percent of all audit assignments were completed without issuing an audit report*, according to the SAR. Thus, if we reported that DCAA issued a paltry 1,176 audit reports in the latest six month period, and then compared that number to the 1,243 reports it issued in the same period last year, or to the 1,480 reports it issued in the same period in 2016, or to the 2,267 reports it issued in the same period in 2014, or to the 14,760 reports it issued in the same period in 2007, you might be misled into thinking that auditor productivity continues to drop.

But that would be misleading, because we're at the point where three-quarters of all audit assignments are completed without issuance of a report that could be subject to a GAGAS (or GAS) compliance review. So let's not do that.

Instead, let's look at total assignments completed. DCAA completed 4,727 assignments in the first six months of GFY 2018. In comparison, DCAA completed 4,634 assignments in the first six months of GFY 2017. *That's much better, isn't it?* That metric shows that auditor year-over-year productivity actually *increased by two percent.*
Nice.

Let's keep happy thoughts and not compare assignments completed to the first half of GFY 2010, when DCAA completed 8,293 audit assignments in the first six-month period. Because that might cool the warm feeling of accomplishment we just enjoyed. Let's stop dwelling on ancient history and get back to the present.

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Similarly, total dollars examined increased year-over-year by nearly 10 percent. That's got to feel good, right? And questioned costs are up year-over-year as well, by nearly 18 percent. Even sustention rates are holding steady at just about 30%. Those are all good numbers and DCAA should be proud of them.

DCAA's focus on completing 10100 "incurred cost" audits (by whatever means necessary, including closing them without actually auditing contractors' claimed dollars) is paying off for the audit agency. We may all see a point where the ICS backlog is down to manageable levels.

It will be interesting to see what a "steady state" DCAA looks like, in a year or two. We expect that we will see increasing numbers of post-award "defective pricing" and CAS-related audits. We may even see the return of the post-award accounting system audit for major contractors, once the latest audit program is polished and released.

So—all in all, a decent report card. Sure, standards have fallen since the olden days, but haven't they done so everywhere? Why should DCAA be exempt from the phenomenon? When you look at recent performance, the first half of GFY 2018 looks good. And that portends a solid future for the audit agency.