

## DCAA Director Patrick Fitzgerald Discusses His First Eight Months

Written by Administrator  
Thursday, 15 July 2010 00:00

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On July 8, 2010, Robert Brodsky of GovExec.com [interviewed](#) Patrick Fitzgerald, Director of DCAA. It was Mr. Fitzgerald's first interview since taking the helm of the drifting auditing agency back in November, after the [departure](#) of April Stephenson. The interview, which was characterized by Mr. Brodsky as being "upbeat, but occasionally guarded," focused on the changes undertaken by the new regime. According to Mr. Fitzgerald, "the agency has ... increased training, revamped the promotion and hiring process, and introduced a pilot program that will put a single DCAA manager in charge of major contractor audits."

The article states that Mr. Fitzgerald attributes lingering audit problems to the "crushing workload" facing the audit agency. To address the workload issues, DCAA "has hired 500 new auditors and will add 1,000 more by fiscal 2015, a 37

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percent staffing increase. DCAA also is planning to shed several low-priority services and place more emphasis on high-risk contracts.”

Despite the foregoing, the article notes that the number of audits DCAA expects to accomplish this year will be “dramatically lower” than in prior years. The article reports that, “In fiscal 2008, the average time to complete a contractor pricing review was 28 days, compared with 72 days in fiscal 2010.” So perhaps it’s not really the workload that’s causing “lingering audit problems,” but might be instead the process by which audits are being executed?

Rank and file auditors “remain skeptical about the agency’s course,” according to the article. (We reported on this skepticism several months ago, [here](#).) The article reported that—

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They [auditors] said managers have overreacted to the GAO reports and now are obsessively focused on documenting their audit opinions and submitting perfect working papers. In some cases, DCAA employees said they were being told to fix minor typos or grammatical errors, bogging down the process. In addition, Stephenson introduced a policy that requires a field office manager to sign off on all audits, which employees said has compounded delays that hamper price negotiations with contractors.

Mr. Fitzgerald recognized that he has a problem at the field auditor level. The article reported that—

To address morale problems, [he] established an internal review division to tackle complaints from employees and has subsequently beefed up the office's staff to 23 employees, including a senior executive. The director also has taken to the road during the past two months to hold 17 town hall meetings.

‘One of our big challenges is that we have to restore the trust between DCAA management and the workforce,’ he said. ‘I sense that's not there today. And it's going to take some time to do that.’

One only need examine the comments on the GovExec.com website, submitted in response to the article, to see that Mr. Fitzgerald has deeper issues to address than simply auditor morale problems. For example, here are two comments from DCMA contracting officers:

- DCAA no longer provides a useful service for contracting officers. It takes less time to justify why I do not need a DCAA audit than it takes to wait months for the audit. It might be worth the wait if the report had useful information. But no more. The reports are so highly qualified with too much unsupported costs to be useful. So I just provide the request to DCAA and when they give me a due date of 90 days for a proposal audit, I document the file that the audit could not be completed in time for award and cancel the audit request. I have 10 contracts to be awarded by the end of September, 6 for sole-source fixed price. I could have used an audit, but given the 72 average days mentioned in this article, I will just document the file and move on. Thank you Fitzgerald for the documentation that DCAA takes at least 72 days for forward pricing. With this type of cycle time, DCAA will be out of the forward pricing audit business in no time. Sad because I used to get useful reports with a lot of questioned cost.

- I am appalled that the Director would think that 72 days for an audit of a forward pricing proposal is something to be proud of. The 72 days is an average and I can attest that I usually receive reports in about 3-4 months. The proposal is outdated by the time I get the report. The report usually had too much unsupported costs to be useful. In the end, I waste a lot of time waiting for an audit that is not useful. To put the 72 days in perspective, for any awards that need to be made by the end of FY 2010, the audit report would already need to be in our hands. This is not feasible. Often times we do not get the requirements until May or June and then to factor in 72 to 120 days for an audit is not practical or useful. DCAA had some documentation issues and then went way overboard and now is not a useful organization. DCAA is not the GAO or IG that can take months for audits. Awarding contracts is very time sensitive and Mr. Fitzgerald needs to retool DCAA to complete audits in 30 days or less. Frankly, contracting officers liked the prior metric of 30 days or less for proposal audits. It provided a more useful report. In the end, many COs will be like me and any contracts that are negotiated this summer will be without the benefit of DCAA audits. We just cannot delay the awards waiting for the audit. Please someone resolve the lack of a sense of urgency with DCAA audits for forward pricing proposals.

But yes, it is true that auditors have some concerns with the lack of progress made by Mr. Fitzgerald in charting a new course. Here are a couple of many

comments submitted by (alleged) DCAA auditors (unedited)—

- Fitzgerald, let me clue you in on something regarding the depth of the audits. The reason audits are taking longer is that we are spending more time on working paper documentation and responding to reviewer comments, not that we are performing a more comprehensive audit. In fact, I believe we are doing the opposite. Auditors are performing more superficial audits because it is easier to document the findings and judgements than when we use critical thinking and more analytical skills. It is also easier to get the audit through management review. It is much more time consuming and difficult to pass the QA reviews when we reach conclusions based on in-depth analysis. Not to mention that the skill level of the auditors is much lower than needed and as a consequence, the auditors are more of a verifier and spent their time ticking and tying numbers rather than actually performing more in-depth auditing analysis. You should perform a few audits and then you will get a better idea of just how superficial DCAA has become. Town hall meetings may be fine, but spend several weeks on an audit and then you may get it.

- During the Bill Reed administration at DCAA, the mantra was "more with less" as DCAA downsized, performed more audits and had higher questioned cost and net savings. Pat Fitzgerald will be known for "less with more." Staffing will be increased to new levels while the number of audits will be less than the past 20 years, questioned cost will be less as well as net savings. Good job Fitzgerald, what a way to protect the taxpayers dollars. By the time you get done,

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auditors will be performing about 2-3 audits per year rather than 2-3 audits per months. You will get a pat on the back from Congress and the Pentagon because contractors will no longer be complaining about DCAA. Contractors will be happy as a clam and you will get many rewards. You will go down in history as the Director that instituted the "perfect" audit and guess what, DCAA effectiveness will be nonexistent. Contractors will sing your praises and they will probably offer you a well paying job when you retire. Good legacy to leave on the Agency. What a way to protect the taxpayers dollars. Might as well just give the money away to contractors, it would cost less.

There are plenty more comments where those came from – go see them at the link above. But before we move on, here's [another perspective](#). The highly respected Government Contracts attorneys over at Sheppard Mullin Richter & Hampton have this to say about Mr. Fitzgerald's interview—

*Just three months ago ... DCAA Director Patrick Fitzgerald told contractors and acquisition agencies that his agency's new mode of operations would aim at developing 'mutually beneficial relationships' with both contractors and DOD acquisition agencies. DCAA would spring 'no surprises' on contractors; it would conduct 'more frequent communication with' them; DCAA would assure the provision of 'responsive and timely services to agency stakeholders'; and – in a marked sea change from its traditional attitude, DCAA would abide by DOD*

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*direction that, while ‘the contracting officer and auditor work together... it is the contracting officer’s ultimate responsibility to determine fair and reasonable contract values.’*

*Some contractors hoped that Director Fitzgerald’s purported ‘new mode’ would actually lead to reasonably cooperative relationships and more frequent communication with agency auditors, to include continuing communications through interim conferences during and informative exit conferences upon completion of the auditor’s fieldwork. .... [But] within weeks of Director Fitzgerald’s announcement, DCAA began shutting down communications with contractors, forcing at least some to fight just to have interim conferences with auditors, and informing others that post-audit exit conferences will now be held only after the auditor has written the draft report and it has been reviewed and approved by the Supervisory Auditor and the Branch Manager or Regional Auditor – in other words only after the report’s conclusions are set in stone and impossible for the contractor to change, even when shown to be based on erroneous factual conclusions.*

...

*Those contractors and acquisition agency personnel who entertained hopes that Director Fitzgerald would keep his promises were not being entirely foolish – those promises were, after all, wonderfully consistent with provisions of the DCAA Contract Audit Manual (“CAM”) Chapter 4-300 ... which, like the Director’s*



*promises, were published within the last three months. ...*

*It is difficult to know what to make of an agency that describes itself on its home page as 'Dedicated To Providing Timely and Responsive Audit and Financial Advisory Services In Support of Our National Defense,' yet behaves in a manner directly contrary to its own explicit—and newly-minted—instructions.*

So while Director Fitzgerald speaks about progress being made and changes being implemented, his own auditors question his motivations and effectiveness while DCMA contracting officers are learning to do their jobs without auditor input. Even knowledgeable attorneys—who might be expected to be a bit more academic and objective about the situation—think there's a major disconnect between the platitudes that Headquarters publicly proclaims and the actions its auditors are directed to take in the field. Washington, we have a problem here.

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