

Having Solved Its Audit Backlog Problems, DCAA Takes on Additional Work

Written by Nick Sanders

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Quite recently, [we told you](#) about the U.S. Department of Defense Inspector General's concerns with DOD's new approach to performing audits on "priced proposals" submitted by contractors seeking a contract award. Essentially, the DOD IG had two concerns with the notion that DCAA should no longer audit certain low dollar value, low risk, proposals: (1) it calculated that the lack of audits resulted in lost taxpayer savings (from questioned proposal costs) of nearly \$250 million *each year*, and (2) it asserted that the change simply shifted the workload from DCAA to DCMA—and that DCMA was "not prepared to perform" its new responsibilities.

The rationale for making the change was simple and obvious, as was made plain by DOD IG interviews of Shay Assad (former Director, Defense Procurement and Acquisition Policy, who approved the policy change while heading DPAP). Mr. Assad "advised the OIG that the decision to approve the [policy change] was a 'resources decision'. He reasoned that DCAA does not have unlimited resources and the issue he confronted was how to reduce the number of audits DCAA was performing." That, as they say, was that.

Because DCAA did not have sufficient resources to perform the audits it needed to perform, DOD Leadership decided to reduce the backlog by shifting the workload to DCMA Contracting Officers. That workload shift would, in Mr. Assad's words, permit DCAA management to redirect "DCAA's limited resources" into what was judged to be more important audit assignments, which included "large dollar value contractor proposals, incurred cost audits relating to the backlog of DoD contracts awaiting final close-out, and defective pricing audits."

Perhaps surprising nobody who has followed the sniping between DOD oversight agencies over the past four years, DOD IG expressed some serious concerns with the audit policy change. We thought (and still think) those concerns have some merit.

In any case, DOD Leadership has found a new area in which DCAA can perform audits. No, the new area does not include working down the unbelievably large backlog of audits of contractor proposals to establish final billing rates (also known as "contractor incurred cost audits"). No, the new area does not include performing any defective pricing audits. It may include performing audits of "large dollar value contractor proposals"—but we can't even be sure of that.

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No. The new area of DCAA audit responsibility is that DCAA auditors will now perform audits on U.S. DOD contracts that are awarded directly to Canadian companies, and they will now perform audits on Canadian companies that have received subcontracts under U.S. DOD Prime contracts. Subject to the contract type/dollar value thresholds of the new audit policy, of course. This is work that used to be performed by auditors of the Public Works and Government Services Canada (PWGSC). Now, DCAA will be performing audit work that used to be performed by auditors of the Canadian government.

We're not kidding.

On one hand, we have DOD Leadership telling the DOD IG that it needed to reduce the amount of audits performed by DCAA so as to be able to redirect scarce audit resources towards “more important audit assignments.” On the other hand, we have DOD Leadership issuing a [Policy Memo](#) that directs DCAA to assume additional audit responsibilities pretty much unrelated to those “more important audit assignments.” On one hand, we have the former DPAP Director telling the DOD IG that DCAA has to push its workload towards an unprepared DCMA Contracting Officer workforce, because it can’t perform the audits already on its plate. On the other hand, we have the current DPAP Director telling DOD that DCAA will be adding additional audit assignments to its plate—no doubt freeing up the auditors of PWGSC to focus on what PWGSC may consider more important audit assignments. (We have no idea what those more important Canadian audit assignments might be.)

DCAA will not only be performing pre-award audits of priced proposals from Canadian companies. According to the DPAP Policy Memo, “DCAA will perform the same pre-award and post-award range of audit services [on Canadian companies] that DCAA conducts for U.S. Government contractors.”

Yeah, sure. Because DCAA didn’t already have enough to do.