

DCAA Admits Sequestration Will Impact Efforts to Reduce Audit Backlog

Written by Nick Sanders
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We have [previously provided](#) our opinions on the impacts of sequestration on the Department of Defense civilian workforce to our readers. We have explored the apparent disconnect between the comments of DOD leadership regarding hiring freezes, furloughs, and layoffs and the comments of DCAA leadership regarding the agency's intentions to increase its audit workforce from 4,900 to 5,600 by the end of GFY 2016. (That's an increase of roughly 14 percent, by the way.) The personnel ramp-up was part of a high priority initiative (announced by the Secretary of Defense in April, 2009) to add 20,000 new acquisition positions, including auditors, program managers, and contract attorneys.

The DCAA ongoing staffing increase has been a key step in the agency's plan to address its current backlog of some 25,000 unaudited contractor "incurred cost" submissions—a backlog that (by the agency's own admission) has *quadrupled* over the past decade. DCAA recently told the GAO that it intended to reach a "steady state"—defined as a backlog of two years' worth of audits—by the end of GFY 2016.

Bloomberg [recently reported](#) that those plans may be in jeopardy, because the impacts of sequestration have impeded the agency's hiring initiative. The Bloomberg article quotes remarks by DCAA Director Patrick Fitzgerald, who stated that DCAA "has frozen hiring and will lose about 5 percent of its workforce, or 250 employees, this year."

According to the article, DCAA intended to reduce its \$600 billion backlog by about two-thirds (or \$400 billion) by the end of GFY 2014. That's the first we've heard of that milestone—and now it's not likely to happen.

It's not only the staffing impacts that will make reaching that goal nearly impossible. As we've reported, even with a renewed emphasis on performing "incurred cost" audits, DCAA's productivity in GFY 2012 (ending September 2012) was about 25 percent below its planned levels (completing 2,930 audits against a plan of 4,065, according to GAO). In addition, DCAA's new "risk-based" approach to choosing which submissions it audits (and which submissions it kicks over to DCMA, unaudited) has not yielded the hoped-for results. The new approach was expected to knock-out 80 percent of the backlog, but DCAA told GAO that the actual number of "low risk" contractor submissions was about two-and-a-half times below its predictions—meaning that it will be forced to actually, you know, *perform audits* on more contractor submissions than planned.

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So even though the Bloomberg article stated, "A study by the Army Force Management Support Agency said the audit office needs a workforce of 6,250 by 2015," the audit agency's more modest goal of reaching a workforce of 5,600 is now in jeopardy. In fact, it's going to actually be losing staff in the near term.

Accordingly, we expect that the current audit backlog has a decent chance of *actually increasing* by the end of GFY 2013, despite DCAA's efforts to reduce it.

We wonder how that outcome will play inside the Beltway, should it come to pass.