

DCMA Moves Forward Without DCAA

Written by Nick Sanders

Wednesday, 16 October 2013 00:00



In another one of those “we told you this was happening and now it has come to pass” sort of things, we report today that—in the words of DCAA leadership—“DCMA policy will now encourage completion of Forward Pricing Rate Recommendations (FPRR) within 30 days of Forward Pricing Rate Proposal (FPRP) receipt and to start Forward Pricing Rate Agreement (FPRA) negotiations within 60 days.”

What does that mean?

Well, we think it means that DCMA is tired of waiting for DCAA to complete its audits before entering into negotiations with the contractors.

That’s not to say that DCAA is solely to blame for the inability of the government to enter into FPRAs. DCMA has to bear some of the blame as well, since its process for approving FPRA negotiations is bureaucratic in the extreme. But the fact of the matter is that DCAA’s insistence on “GAGAS-compliant audits,” coupled with a new focus on accomplishing MAAR testing during routine audits (such as FPRA audits), has led to a situation where DCAA is simply unable to complete its audits in time to support DCMA’s negotiations.

Consequently, DCMA has issued new policy guidance that “emphasizes that the input of all technical specialists (including DCAA) is not required to complete the process unless it is necessary to close a critical gap of information. “ Let’s repeat that for emphasis: *input from DCAA is not required anymore*

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We learned of this change from DCAA itself, via issuance of a [new MRD](#).

What else did we learn from the new DCAA MRD? We also learned that DCMA thinks it can move forward without DCAA because “DCMA is growing their cost monitoring function” and “DCMA believes that the FPRP audit should confirm information acquired during the cost monitoring process.”

Interestingly, the MRD tells DCAA auditors to keep on performing those FPRA audits, even though DCMA won't be relying on them anymore. First of all, the MRD tells DCAA auditors to support DCMA audits by communicating “known audit issues” during DCMA negotiations. (This despite those known issues not being supported by any type of GAGAS-compliant conclusions.)

Second, the MRD tells DCAA auditors to issue their report despite the fact that an FPRA has been executed, so that the DCMA contracting officer can use the report's findings to enter into a new (we assume more favorable to the government) FPRA. We can't speak for all contractors, but we suspect that if the government wants to rescind the just-executed FPRA and implement lower billing rates, the contractor is not going to feel as if the government negotiated in good faith.

Furthermore, by the time DCAA issues its GAGAS-compliant audit report, we bet the contractor will have already submitted a new Forward Pricing Rate Proposal (FPRP), mooted DCAA's findings to a very large extent.

This DCAA MRD may be the beginning of the end for the entity that once was inarguably the Federal government's premier audit agency. If DCMA will no longer be relying on DCAA for Forward Pricing Rate input, where else can they do without the auditors?

One answer to that question comes from Redstone Consulting. In the firm's [recent blog article](#), it reported that—

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... DCMA has started hiring auditors away from DCAA to perform, among other things, CAS disclosure statement reviews. DCMA says they don't need a GAGAS compliant audit to make a determination of adequacy. They only need enough information to make an assessment. ... Of course one of our other former DCAA Managers is right with his assessment after I informed him of this latest blow to DCAA's credibility. DCAA Management probably wouldn't object. With the agency's apparent single-minded goal of increased dollars audited with corresponding savings as evidenced in emphasized remarks in reports to Congress and other statements (i.e. \$6.5 to \$1 'ROI'), DCAA wouldn't mind getting rid of this apparent 'non-value added' effort. Since they don't count towards dollars audited and they don't contribute to cost questioned or ROI, why do them?

Is this the beginning of the end for DCAA? Lord knows we've predicted it [before](#). So let's not rush into any conclusions.

But it's tough to argue that DCMA has not made a profound change to its FPRA negotiation approach by deciding to move ahead without input from DCAA. It's a message to DCAA leadership from its single largest customer. One wonders where DCMA found the courage to make such a fundamental change.

In completely unrelated news, we heard through sources that Mr. Charlie Williams, Jr., Director of DCMA, has announced his impending retirement effective December, 2013.