

DCAA Productivity Stats

Written by Nick Sanders

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Every so often we like to look at the Department of Defense Office of Inspector General's Semi-Annual Report to Congress. It is published twice per year; the [latest](#) was published in December 2016. Appendices E and F of that report give us quantitative insight into DCAA's audit productivity. We've been recording the published contract audit statistics since 2006 on a spreadsheet, which gives us the ability to analyze trends and to compare year-over-year numbers.

Here are some relevant statistics from the just-completed GFY 2016 (12-month period ending 30 September 2016). The statistics encompass four major categories: (1) incurred cost/special audits, (2) forward pricing/proposals, (3) Cost Accounting Standards, and (4) Post-Award/Truth-in-Negotiation audits.

In GFY 2016:

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DCAA issued 4,269 audit reports, slightly down from the prior year, in which 4,546 reports were issued. This is consistent with the data trend, wherein DCAA issues fewer and fewer audit reports each year, regardless of staffing levels. For comparison purposes, in GFY 2007 DCAA issued 33,801 audit reports. Importantly, looking only at audit reports issued does not tell the complete story. Many audit assignments are completed without issuance of an audit report. Some audit assignments (e.g., MAARs) are dispositioned with a Memorandum for the Record, while others (e.g., incurred costs) are incorporated into an umbrella assignment. Still other assignments are closed because DCAA decides the audit dollars are not large enough to warrant spending auditor labor; these are the "low-risk" incurred cost audits we've been ranting about for a long time, where an assignment is opened and closed as if an audit had been performed, but no audit procedures were actually completed. Other statistics—including dollars examined and assignments completed—tell a more accurate story of auditor activity during the year.

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DCAA examined \$286.8 billion, up from the prior year, in which \$257.5 billion was examined. This is roughly the same level as the agency examined in GFY 2009. For comparison purposes, in GFY 2008 DCAA examined \$458.4 billion; however, that value is a bit of an anomaly, in that the average value for most years is approximately \$300 billion. Thus, DCAA is trending back to its historical mean in terms of dollars examined.

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DCAA completed 13,520 assignments, significantly down from the prior year, in which 15,715 assignments were completed. Interestingly, if DCAA completed 13,520 assignments while issuing 4,269 reports then 9,251 assignments were completed and/or closed without issuance of an audit report. Further, that means 68 percent—*more than two-thirds*—of all DCAA assignments were closed without issuance of an audit report. (See our comments above regarding causal factors for this situation.)

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DCAA questioned \$9,981.1 million (~\$10 billion, which includes \$4 billion in forward pricing “funds put to better use”), down from the prior year, in which \$11 billion was questioned. Doing a bit of math tells us that DCAA questioned 3.5 percent of every dollar examined. That value is down from the prior year, in which DCAA questioned 4.3 percent of every dollar examined. In fact, it is consistent with a recent trend showing lower percentages of questioned costs each year since a high-water mark in GFY 2013, in which 9.8 percent of every dollar examined was questioned.

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Contracting Officers sustained (roughly) 24 percent of questioned costs. Admittedly, this statistic is a little rough. The statistic is reported every six months and it’s a solid value, but we are reporting a mathematical average of two reported values rather than a weighted average. Further, the sustainment/non-sustainment decision might address costs questioned a year or more ago. Thus, take this one as nothing more than a trend indicator. To help with trend analysis, we’ll tell you that the “post-award” sustention rate was about 31 percent in GFY 2015 and 34 percent in GFY 2014. It was about 52 percent in GFY 2013. Note: these are CO sustention rates with respect to DCAA audit findings; they exclude what happens in litigation if a contractor appeals a CO decision.

In addition to the statistics reported above, we also noticed that “post-award” audits (also known as “defective pricing” or “truth-in-negotiation” audits) are trending back up. DCAA issued 35 such audit reports in GFY 2016, up significantly from the past couple of years. While this value in no way compares favorably with historical numbers (for example, DCAA issued 485 such audit reports in GFY 2006) it confirms what we’ve been hearing: DCAA is getting back into the defective pricing audit business.

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We are carefully not expressing any opinion regarding the statistics, preferring instead to let them speak for themselves. That being said, if we were to chart the values and publish them (as we've done before) it would very likely not be seen in a positive light.

And we are not done with our analyses. When DCAA's own Annual Report to Congress is published in a couple of months, we'll update our numbers and we'll have statistics to report on a per-auditor basis. So stay tuned for that.