

Government Contracts Blog

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Top Ten Reasons DCAA Should Let COs Do Their Bloody Job

Not so long ago, we called your attention to a troubling trend in the natural order of Government contracting. First, we recounted how DCAA has initiated itself into the dark art of [intimidation](#). Then we described how a contracting officer's mere [disagreement](#) with the DCAA could result in an IG referral for a poor CO who comes out on the other side of a DCAA recommendation. And when last we resumed our chronicle, we recalled that a call for an end to these frontal assaults on CO independence was [issued](#) – not only by us in the last several months – but by an ABA Ad Hoc Committee some 22 years ago.

The saga now continues. The GAO recently issued a report on DCAA entitled, “[Widespread Problems with Audit Quality Require Significant Reform](#)” (GAO-09-468), and [testified](#) before Congress on the same subject (GAO-09-1009T). These developments afford us the opportunity to revisit the issue of DCAA's aggrandizement of authority properly belonging to COs and, for a change, allow us to indict DCAA with the Government's own words. With apologies to David Letterman, we will let the GAO make the case for CO independence and for the rightful relegation of DCAA to the advisory role for which it is better suited.

Reason No. 10 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“On one billing system audit, the auditor performed testing on two vouchers. The auditor did not document how he selected the two vouchers, and he did not document the population of contractor vouchers in the work papers or the basis for his judgment on selecting the two vouchers for testing. When we asked the auditor why he selected two most recent vouchers for testing and did not document the voucher population, the auditor told us it was because “the file size was too large,” and he saves the population files on his desktop computer.” GAO-09-468 at 92.

Alternatively put, it was too hard to be thorough, or to base judgments on a representative sample.

Reason No. 9 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“[W]e have concluded that DCAA's quality control system for the period covered by the last DOD IG peer review was not effectively designed and implemented to provide assurance that DCAA and its personnel comply with professional standards.” GAO-09-468 at 11.

In the private sector, a lack of professional standards earns you a malpractice lawsuit. However, the [reversal of the DIVAD malpractice judgment on appeal](#) crushed any hope for the application of common standards on both sides of the procurement equation.

Reason No. 8 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“DCAA’s human capital management practices of hiring auditors at the entry-level and assigning them to complex audits with little classroom training or on-the-job experience and minimal supervision have contributed to the audit problems we identified.” GAO-09-468 at 3.

Q: “Just how many heart transplants have you actually performed, doctor?”

A: “None, but I spent last night at a Holiday Inn.”

Reason No. 7 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“According to DCAA officials, DCAA rescinded . . . 80 audit reports because the audit evidence was outdated, insufficient, or inconsistent with reported conclusions and opinions and reliance on the reports for contracting decisions could pose a problem. . . . Because the conclusions and opinions in the rescinded reports were used to assess risk in planning subsequent audits, they impact the reliability of hundreds of other audits and contracting decisions covering billions of dollars in DOD expenditures.” GAO-09-468 at 14.

Now, when a contractor does this, there is this thing called the False Claims Act with which it has to deal. Don’t audits of this type actually cause the Government to expend money on false premises? Oh, that’s right -- different standards.

Reason No. 6 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“The most pervasive audit deficiency we identified was insufficient testing to support DCAA’s reported conclusions and opinions.” GAO-09-468 at 37.

Contractors, of course, cannot do this. That would be (What do we call it?) -- cheating.

Reason No. 5 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“DCAA’s audit quality assurance program was not properly implemented, resulting in an ineffective quality control process that accepted audits with significant deficiencies and noncompliance with [Generally Accepted Government Auditing Standards] and DCAA policy.” GAO-09-468 at 32.

Wasn't there a new regulation promulgated last December that required contractors to develop and implement comprehensive internal control systems? We guess what's sauce for the goose *isn't* always sauce for the gander.

Reason No. 4 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“The failure to perform quality audits leaves government contracting officers and disbursing officers with inadequate information, ultimately putting taxpayers at risk of improper contract payments and fraud, waste, abuse, and mismanagement.” GAO-09-468 at 36.

But contractors, we suppose, are not equally at risk of baseless, undocumented, untested allegations that cost them, in the aggregate, hundreds of millions of dollars in unnecessary legal and accounting fees defending against baseless claims. Because DCAA only makes mistakes that benefit the contractor, right? COs who recognize the flaws in DCAA's audits, audit techniques, and quality control procedures and make a decision based on a more informed basis, they are never wrongfully subjected to internal charges of favoritism or hauled before the IG for a public flaying, are they? No, because -- again -- DCAA's mistakes all redound to the contractors' advantage, don't they?

Reason No. 3 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“[W]e remain concerned that DCAA's current approach of performing 30,000 to 35,000 audits and issuing over 22,000 audit reports with 3,600 auditors substantially contributed to the widespread audit quality problems we identified. Generating that many reports and doing that many audits with 3,600 auditors leaves very little time to perform in-depth, complex audits of contractors.” GAO-09-1009T at 17.

If contractors give their annual incurred cost submissions this type of superficial once over, bad things happen to them. As John's eight-year old says, “It isn't fair.” He's right, it isn't fair. It's a travesty.

Reason No. 2 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“DCAA's policy to eliminate the 'inadequate-in-part' opinion for contractor internal control systems audits does not recognize different levels of severity of control deficiencies and weaknesses and could unfairly penalize contractors whose systems have less severe deficiencies by giving them the same opinion -- 'inadequate' -- as contractors having material weaknesses or significant deficiencies that in combination would constitute a material weakness. DCAA would benefit from outside expertise to develop effective audit policy guidance and training on auditing standards.” GAO-09-1009T at 15.

Let's all reread that last sentence -- and let's hope that IGs, US Attorneys, and the Government lawyers who handle board and court cases recognize that their “experts” have just been discredited by the Government's own financial watchdog agency.

And finally -- Reason No. 1 Why DCAA Should Not Have a Controlling Voice in Government Contract Decision Making

“DCAA has not yet addressed the fundamental weaknesses in its mission, strategic plan, audit approach, and human capital practices.” GAO-09-1009T at 11-12.

Well, pardon our cynicism, but just what weaknesses has it addressed?

Our thanks to the GAO for its contribution to this ongoing saga. Its findings are no small town news; nor are they “fun facts” of the type in which the GEICO Gecko might revel. They are, in fact, scandalous, and they undermine the fabric of our procurement system.

The next time you are confronted with obstinacy from the Department of Justice or Office of the Inspector General, and waved before you is the latest DCAA audit that has you in its crosshairs, you may have to restrain yourself from reciprocating the gesture and waving this Blog piece in return. You shouldn't do it, but it sure would make you feel good inside.

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