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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

October 20, 2017

The Honorable David L. Norquist
Under Secretary of Defense (Comptroller)
Chief Financial Officer
U.S. Department of Defense
1400 Defense Pentagon
Washington, DC 20301

Dear Mr. Norquist:

I write requesting detailed information regarding the audit backlog at the Defense Contract Audit Agency (DCAA).

The federal government obligates more than \$400 billion on contracts for goods and services annually.¹ Recently many agencies have experienced delays in closing out completed contracts. Such contract closeout backlogs expose the federal government to an increased risk of improper payments and prevent agencies from reallocating unused funds. Among the obstacles to timely closeout of contracts is the DCAA's large backlog of incurred cost audits. Those audits are a necessary part of closing out flexibly-priced contracts, and DCAA has a longstanding backlog. In the National Defense Authorization Act for Fiscal Year (FY) 2016, Congress mandated that DCAA cease conducting audits for non-defense agencies until its audit backlog had been reduced to 18 months.²

In September, the Government Accountability Office (GAO) released a report, at my request, regarding the contract closeout backlog at federal agencies. The report also examined the progress that DCAA has made in clearing its audit backlog. GAO reported that DCAA has reduced its overall backlog from approximately 31,000 in FY 2011 to 14,000 at the end of FY 2016. Over the same period, DCAA also reduced its backlog of audits more than two years old from 21,000 to below 5,000. But DCAA failed to meet its original goal of eliminating the backlog of audits more than two years old by the end of FY 2016, and GAO reports that the agency believes that it will be challenging to meet that goal by the end of FY 2018.³

¹ U.S. Government Accountability Office, *Contracting Data Analysis: Assessment of Government-wide Trends* (GAO-17-244SP) (Mar. 2017).

² Pub. L. 114-92 § 893 (2015).

³ U.S. Government Accountability Office, *Federal Contracting: Additional Management attention and Action Needed to Close Contracts and Reduce Audit Backlog* (GAO-17-738) (Sept. 2017).

Despite DCAA's efforts to reduce its audit backlog, GAO identified two potential sources of additional performance improvement. First, GAO recommended that DCAA assess and implement options for reducing the time it takes to begin work on incurred cost audits. Second, GAO recommended that DCAA assess the effects of multi-year audits on both contractors and DCAA and establish related performance measures.⁴

In order to better understand how the Department of Defense plans to address DCAA's remaining audit backlog, please provide a written response to the following questions no later than November 10, 2017:

1. What is the current inventory of incurred cost audits at DCAA?
2. What are the plans and expected timeline for reducing DCAA's audit backlog to 18 months of inventory?
3. The Department stated in its response to the GAO report that it plans to assess and implement options for reducing the length of time to begin incurred cost audit work and to conduct a comprehensive analysis regarding the use and effect of multi-year audits by March 31, 2018. Please describe the current status and timeline for completion of these promised actions.

Should you have any questions please contact Michael Broome with my staff at (202) 224-9142. Please send any official correspondence related to this request to Lucy Balcezak at Lucy_Balcezak@hsgac.senate.gov. Thank you for your prompt attention to this matter.

Sincerely,



Claire McCaskill
Ranking Member

cc: Ron Johnson
Chairman

⁴ *Id.*