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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

February 5, 2018

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Anita Bales
Director
Defense Contract Audit Agency
Department of Defense
8725 John J. Kingman Road
Fort Belvoir, VA 22060

Dear Ms. Bales:

I write requesting additional information regarding quality controls on audits conducted by the Defense Contract Audit Agency (DCAA).

The Department of Defense Inspector General recently released a report regarding the system of quality control in place to ensure that DCAA audits are performed in compliance with professional standards. Although the Inspector General found that DCAA's quality control systems were for the most part suitably designed and complied with, the report made several recommendations which DCAA did not agree with and which remain open and unresolved.¹

In particular, the Inspector General's report found that of the audits it reviewed, 9% showed signs of ineffective supervision where problems with the audits were not identified. The Inspector General further found serious lapses in the conduct of 6% of the audits reviewed. Although DCAA has agreed to implement corrective actions narrowly tailored to address the problems with the quality of its audits identified by the Inspector General, it has not agreed to implement broader reforms in order to avoid a recurrence of these or similar problems.²

In order to better understand DCAA's plans to improve quality control for its audits, please provide a written response to the following questions no later than February 26, 2017:

1. DCAA has agreed to undertake remedies in response to deficiencies in some audits identified by the Inspector General, but has not agreed to evaluate and improve the supervision of audits on the grounds that no supervision deficiency was revealed by the flawed audits that the Inspector General identified. Why does DCAA believe that these flawed audits indicate the need to improve the performance of audit staff, but not the performance of the supervisors reviewing the work of those staff members?

¹ Department of Defense, Office of Inspector General, *External Peer Review on the Defense Contract Audit Agency System Review Report* (DODIG-2018-028) (Nov. 17, 2017).

² *Id.*

2. DCAA has agreed to provide additional training to the four field offices where audits with serious failures of professional judgment were found. It has, however, not agreed to provide similar training to other offices where such flawed audits have not been discovered. Why does DCAA believe that the deficiencies which led to flawed audits in four offices do not point to the need for additional training agency-wide?

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