

September 10, 2008
Statement of Diem Thi Le
DCAA Senior Auditor

**Before the Senate Committee on Homeland Security
and Governmental Affairs.**

Chairman Lieberman, Senator Collins, and Members of the Committee, thank you for the opportunity to take part in this hearing. My name is Thi Le and I have been with the Defense Contract Audit Agency (DCAA) for 19 years. For 17 years I have been a Senior Auditor. I am also a CPA with the State of California. Nineteen years ago, I left the private sector to join DCAA because I wanted to be a part of an organization that was committed to excellence in support of the national interest and protecting taxpayers' money. However, in recent years, DCAA has changed from an emphasis on excellence to an emphasis on performance metrics, and that is one of the reasons why I am here today. My testimony today includes four parts: (1) What triggered my calling the DoD IG Hotline, (2) How the DoD IG Hotline personnel mishandled my referral (3) The harassment that I have endured since the DoD IG started its investigation, and (4) The systemic problems at DCAA.

WHAT TRIGGERED MY CALLING THE HOTLINE

In September 2005, I was performing an accounting system audit at the Corporate Office of a contractor that is publicly traded engineering, construction, maintenance, and project management company. This is the GAO case no. 6. I found that the accounting system was inadequate in part and, as a result, the contractor was misallocating and mischarging costs to the Government. My supervisor originally concurred with my audit findings; however, subsequently, she told me that our Branch Manager disagreed with me. After my requests to meet with the Branch Manager to explain my audit findings were denied, I followed our Contract Audit Manual guidance and I asked for my supervisor's approval to elevate the un-reconciled difference of audit opinion to the Regional Audit Manager who was the supervisor of my Branch Manager. At about the same time, when I was telling a senior auditor that the Branch Manager was changing my audit opinion, I was told that I was not the first auditor whose audit opinion on a contractor inadequate system was changed by the Branch Manager.

The Regional Audit Manager then told me that because the Branch Manager was the one who signed the audit report, it was the Branch Manager's opinion that counted and mine did not. In another words, I, the performing auditor, had no say in the final audit report opinion. The Regional Audit Manager also instructed my supervisor to follow our Contract Audit Manual guidance and put my working papers in the superseded work paper folder. My supervisor then deleted the audit findings from my working papers and used those changed working papers as her working papers to support the change in the audit opinion from an inadequate accounting system to an adequate system without performing any additional audit work. Shortly afterward, the audit report was issued and the contractor accounting system was deemed adequate. Consequently, the

contractor did not have to propose or implement any corrective actions to eliminate its accounting system deficiencies that would result into misallocating and mischarging costs to the government contracts. For the calendar year 2006, this contractor reported over \$14 billion in revenue, including \$2.9 billion in revenue from government business.

The following week, I was approached by a senior auditor who told me that his “inadequate in part” opinion of a contractor estimating system was also changed to an “adequate opinion” by his supervisor. However, his supervisor did not discuss the change of the audit opinion with him. He also told me that he suspected that the audit opinion was changed after the Branch Manager had reviewed his audit working papers.

I was also told by another senior auditor that the Branch Manager changed several auditors’ opinions of inadequate systems at the Boeing Huntington Beach Resident Office of where she used to be in charge.

To give my Branch Manager the benefit of doubt, I went on to our office common drive and reviewed other system audits performed under her management. To my disbelief and disappointment, I discovered several system audits in which the performing auditor’s opinion of a contractor inadequate system was changed to adequate by management. I began to see a pattern of changing the auditors’ opinions by the Branch Manager but I did not know why she would do that. Upon further inquiries with other supervisory auditors of other offices, I understood why. By making the contractor systems and related internal controls “adequate”, less audit risk would be perceived and, consequently, fewer audit hours would be incurred on other audits. Because one of the DCAA performance metrics is the productivity rate, which measures the hours incurred versus the dollar examined, having fewer audit hours incurred for the same amount of dollars examined will increase the productivity rate. The productivity rate is one of the factors based on which a Branch Manager’s annual performance is rated.

Mr. Chairman and Members of the Committee, in recent years, because of the emphasis on the increase of the productivity rate, DCAA auditors, including myself, have been pressured by management to perform audits within certain numbers of budgeted hours. But this was the first time I discovered that management changed the auditors’ opinions without performing any additional audit work or without discussing with the auditors. I confided this troubling discovery, which I considered the lack of due professional care, at best, and negligence and fraudulent, at worst, with some of my colleagues who all told me that I had no choice but calling the DoD IG Hotline. In early November 2005, I contacted the DoD IG Hotline.

How the DoD IG Hotline Personnel Mishandled my Referral

I would have never imagined that I would call the DoD IG Hotline to submit an allegation against my management. Equally the same, I would have never imagined that the DoD IG Hotline personnel would send my hotline compliant back to my agency so that my agency headquarters could investigate my allegation. Let me explain how I discovered that.

Subsequent to contacting the DoD IG Hotline in early November 2005, I made several follow-up inquiries and, finally, in February 2006, my complaint was given a Hotline case number. However, I was told that it might take a long time for someone to work on my case due to the limited staff. Based on my own research, I found the phone number of a local office of the Defense Criminal Investigative Services (DCIS) and I contacted them.

I met with a DCIS Special Agent on Saturday March 4, 2006. Before this meeting, the Special Agent had requested the DoD IG Hotline personnel to fax him a copy of my complaint submittal. When going through the complaint file to ensure that the Hotline personnel had sent him all of what I submitted, I noticed that on a FAX Cover Sheet, it was stated that the complaint submittal had been referred to DCAA Headquarters. I pointed out this note to the Special Agent and asked him what it meant. He told me that he would look into it and let me know. Later, the Special Agent confirmed that the Hotline personnel had in fact referred my complaint to DCAA Headquarters and that the referral included specific personal identifying information about me, such as my name and cellular phone number, and the discussion of the accounting system audit that triggered the Hotline complaint. Consequently, I believe that my identity as a whistleblower was not adequately protected and, therefore, I have suffered reprisal from DCAA management.

The Harassment I Have Endured

Following are some of the significant incidents of harassment and retaliations directed at me since the time I dared to elevate the un-reconciled difference of audit opinion to the Regional Audit Manager and contacted the DoD IG Hotline:

- In September 2005, my management overruled my audit findings. In October 2005, I was transferred to another team. In the November 2005 Staff Conference, the Regional Audit Manager stated that if we auditors did not like management's audit opinion, we should find another job.
- In early July 2006, I was transferred to another team. In late July 2006, my management was interviewed by the DCIS Special Agent. In October 2006, I found out that I was the only auditor with an "Outstanding" performance rating who did not get a performance award.
- In early April 2007, the Office of Special Counsel (OSC) investigator contacted DCAA Western Region management to inform them of my OSC complaint. Shortly after that happened, my supervisor told me that I should seek mental health counseling because of the stress I was under. She gave me an Employee Assistance Form and asked that I sign it.
- In August 2007, I was given my annual performance evaluation for the period of July 2006 through June 2007. I was downgraded from an

“Outstanding” rating to a “Fully Successful” rating (two notches down). Also my promotion points came down from 78 (out of a maximum of 120) to 58 points. Please note that prior to this job performance evaluation, I had been an outstanding auditor for several years.

- On August 31, 2007, I was given a memorandum signed by my supervisor and prepared by the DCAA Headquarters Legal Counsel. The memo instructed me that I was not allowed to provide any documents generated by a Government computer, including emails and job performance evaluations, to any investigative units, including the OSC. Failure to follow those instructions would result in disciplinary actions. Subsequently, I discovered that the Section 8 of the Appendix A of the DCAA Personnel Management Manual Chapter 50 considers the reprisal against an employee for providing information or disclosures to an Inspector General or Office of Special Counsel investigator a violation of the employee rights.
- On September 10, 2007, my supervisor advised me to read the 18 USC 641, Theft of Government Property. My supervisor stated that the unauthorized distribution of Agency documents is theft and it does not matter if the purpose is to respond to a hotline or OSC complaint.
- In August 2008, I was given my job performance evaluation for the period of July 2007 through June 2008. I remained at “Fully Successful” which is one notch above the rating that one would be put on a Performance Improvement Plan (PIP). My promotion points came down to 53.

The Systemic Problems at DCAA

It is my observation and opinion that DCAA management has become so metric driven that our audit quality and independence have suffered. Audits are not dictated by the audit risks but rather by the established budgeted hours and due dates. The pressure to close out audits and to meet the productivity rate is so intense that often prevent auditors from following their instincts in questioning the contractor costs, reporting internal control deficiencies, and evaluating any suspected irregular conducts. In the end, contractors are getting away with murder because they know we are so metric driven.

Also, because of metric emphasis, DCAA management has taken away a good number of the audit staff and created layers and layers of personnel at both the regional and headquarters levels who do nothing but monitoring metrics. As a result, the goal is not to protect the government’s interest and save taxpayers’ money but to answer to management’s questions related to metrics.

Concluding Remarks

Mr. Chairman and Members of the Committee, again I thank you for the opportunity to take part in this hearing. It is my hope that by taking part in this hearing

there will be changes at DCAA. It is also my hope that any changes implemented by DCAA management will result into auditors TRULY being allowed to perform quality audits in accordance with generally accepted government auditing standards in order to protect the government's interest and taxpayers' money.