



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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FORT BELVOIR, VA 22060-6219

November 13, 2017

Honorable Claire McCaskill
United States Senate
Attn: Ms. Lucy Balcezak
Committee on Homeland Security
and Governmental Affairs
Washington, DC 20510-6250

Dear Senator McCaskill:

This is in response to your letter to Mr. David L. Norquist dated October 20, 2017, requesting detailed information regarding the audit backlog at the Defense Contract Audit Agency (DCAA). As requested, we provide a written response to the following questions:

1. What is the current inventory of incurred costs audits at DCAA?

Response: As of September 30, 2017, DCAA had 7,916 incurred cost proposals in our total inventory. This number is significantly different than what GAO reported in their report because the number in the report included proposals we expected to receive, but we are waiting for the contractor to submit an adequate proposal.

2. What are the plans and expected timeline for reducing DCAA's audit backlog to 18 months of inventory?

Response: As of September 30, 2017, the average age of DOD incurred cost proposals in inventory was 14.3 months. Almost three-quarters of the individual proposals in inventory are less than 18 months. DCAA plans to continue leveraging its available efficiencies in addressing the remaining incurred cost inventory (e.g., Multi-year audits and Low-Risk process) with the expectation that all contractor fiscal year (CFY) 2015 incurred cost proposals in inventory will be complete by the end of FY18. As a result, DCAA should not have any controllable incurred cost inventory exceeding the 18 months. The only exceptions will be for issues outside of our control such as contractors under criminal or civil investigation where the investigative agencies have requested DCAA to cease and desist working on the incurred cost audits.

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.

Response: The Department is currently assessing options for reducing the time to start incurred cost audits. As stated in our formal comments to the GAO report, DCAA is working on the development of a tool that will allow contractors to directly input their financial data into a new contractor submission portal designed to ensure the accurate entry of incurred cost proposal data. This data and the manner in which we will receive it will streamline how incurred cost proposals are submitted and include basic math checks to ensure the proposal reconciles. We believe this will dramatically reduce the number of inadequate proposals submitted by contractors. As a result of the automation, the auditor will be freed from many of the preliminary tasks so that they can begin the audit in a more-timely manner. Because this tool is a new initiative in FY 2017, it was not included in DCAA's FY 2018 budget. However, we are working within the Department to try to find funding in FY 2018.

The Department is also conducting a comprehensive analysis regarding the use and effect of multi-year audits. DCAA and other Department stakeholders are performing outreach to contractors and industry groups to determine the benefits and concerns with multi-year auditing. The Department plans to complete this outreach and analysis by March 31, 2018. Based on these result, the Department plans to take appropriate action to finalize policy that will define the effective uses of multi-year auditing and what benefits it provides contractors as well as the Department's contract closeout process.

I trust you will find this information helpful. Please address any questions to Mr. Anthony Cruz at (703) 767-3265 or anthony.cruz@dcaa.mil.

Sincerely,


for Anita F. Bales
Director