

## DEFENSE CONTRACT AUDIT AGENCY FISCAL YEAR 2018 ACTIVITIES

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On March 31, 2019, the Defense Contract Audit Agency (“DCAA”) issued a report to Congress on its Fiscal Year (“FY”) 2018 Activities. The report is available at [https://www.dcaa.mil/Content/Documents/DCAA\\_FY2018\\_Report\\_to\\_Congress.pdf](https://www.dcaa.mil/Content/Documents/DCAA_FY2018_Report_to_Congress.pdf).

Probably the most significant item in the report is DCAA’s successful elimination of the incurred cost audit backlog. (A contractor is required to submit a certified incurred cost submission of its costs for each year of contract performance under flexibly-priced contracts, such as cost reimbursement or time and materials. DCAA determines if the submission and supporting data are adequate and in accordance with the Federal Acquisition Regulation (“FAR”). In FY 2018, DCAA closed 8,482 incurred cost years with a total dollar value of \$392.2 billion. Prior to 2018, DCAA considered the last two years as “regular inventory” while audits older than two fiscal years were considered “backlogged.” Through diligent work and this change, DCAA had reduced its backlog from 21,000 years in FY 2011 to 152 years in FY 2018. DCAA is now required to complete all incurred cost audits received after December 12, 2017 within 12 months of receiving the contractor’s adequate proposal

Excerpts from the two sections of the report that should be of interest to contractors are below.

### ORGANIZATIONAL STRUCTURE AND STAFFING

**Organizational Structure.** DCAA’s organizational structure consists of four Corporate Audit Directorates organized by major contractors, three geographical regions primarily focused on other large, mid-sized, and small contractors, and a Field Detachment focused on classified work. DCAA has about 300 offices located throughout the United States, Europe, and the Middle East.

**Headquarters** is at Fort Belvoir, Virginia. Principal elements are the Director, Deputy Director, General Counsel, Office of Inspector General, and the Assistant Directors for Operations, Policy and Plans, Integrity and Quality Assurance, and Human Capital and Resource Management.

**Regional Offices/Field Detachment** are located in Smyrna, Georgia; Irving, Texas; La Palma, California; and Reston, Virginia. Each region directs and administers the DCAA audit mission at locations near the contractor base. Each region is staffed with 800 to 1000 employees and serves 2000 to 3000 contractors. The Field Detachment has 400 employees to serve 750 contractors.

**Corporate Audit Directorates (CAD)** are located in Lowell, Massachusetts (Raytheon, General Dynamics, BAE); McLean, Virginia (Northrop Grumman); Hazelwood, Missouri (Boeing, Honeywell); and Fort Worth, Texas (Lockheed Martin). Each CAD directs and administers the DCAA mission at its major defense contractors.

**Branch Offices** are strategically situated within the regions and are responsible for the majority of contract audit services within their assigned geographical areas. Branch offices often have smaller suboffices to ensure adequate audit coverage.

**Resident offices** are established at specific contractor locations of both regions and CADs where the audit workload justifies the assignment of a permanent staff of auditors and support staff. These offices allow auditors to work on location with the largest major industrial manufacturers that the government buys from, such as Lockheed Martin, DynCorp, and General Dynamics.

**DCAA liaison activities** are conducted at DoD acquisition or contract administration offices to directly communicate and coordinate audit processes. [3]

**Staffing.** DCAA has a professional workforce of about 4,600 employees. Roughly 93 percent of these employees have a bachelor’s degree, 43 percent have a higher level degree, 23 percent are Certified Public Accountants (CPA), and 10 percent have a professional certification such as a Certified Fraud Examiner (CFE), Certified Internal Auditor (CIA), Certified Information System Auditor (CISA) or Certified Defense Financial Manager (CDFM). About 89 percent of DCAA employees are auditors, and 11 percent are professional support staff in various fields including administrative support, budget, human resources, information technology, and legal (Table 1).

<b>Table 1 –</b>	4148	89%
<b>DCAA</b>		
<b>Workforce and</b>		
<b>Education</b>		
Auditors		
Professional	502	11%
Support Staff		
<b>Total</b>	<b>4,650</b>	<b>100%</b>
<b>Employees</b>		
Bachelor’s	4327	93%
Degrees		
Advanced	1994	43%
Degrees		
Certified Public	1078	23%
Accountants		
Other	464	10%
Professional		
Certificates		

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