

Realignment of DCAA and DCMA Responsibilities

On January 4, 2011, Shay Assad, then Director, Defense Procurement and Acquisition Policy, and acting under the auspices of the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, released a memorandum establishing a new relationship between the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA). This memorandum provided “guidance for obtaining greater efficiency through work alignment and reduction of redundant functions” performed by DCAA and DCMA.

Among other things, the memo directed that:

- Requests for field price audits on cost type proposals less than \$100M and fixed type proposals under \$10M will be sent to DCMA [for review by DCMA pricing specialists]. DCAA will be responsible for audits of proposals above these thresholds.
- DCMA will be responsible for issuing Forward Pricing Rate Agreements and Forward Pricing Rate Recommendations when they are the cognizant contract administration office. The goal of this is to eliminate redundant work and ensure a single department rate position is provided to DCAA/DCMA customers at all times.
- DCAA will stop performing Financial Capability Reviews and Audits. DCMA conduct Financial Capability Reviews during the Pre Award Survey Process.
- DCAA will stop performing Purchasing System Audits. DCMA will perform all Contract Purchasing System Reviews.

The memo also foretold issuance of the DFARS business systems rule and the resulting shift in authority from DCAA to DCMA with respect to assessing and determining status of contractors’ systems.

On January 31, 2011, Patrick Fitzgerald, Director, DCAA, issued a memo to all DCAA employees transmitting the Assad memo and describing the changes as necessary “to better align our audit requirements with the available resources using a risk-based approach.”

Of the changes, the adjustment to proposal review thresholds was probably the most critical. In FY 2010, DCAA issued reports in response to only 11,788 assignments while cancelling 16,298 assignments with no report issued. In effect, they completed only 42% of their assignments, no doubt due at least partially to growth in the average time to conduct a proposal audit from 28 days in 2009 to more than 72 days in 2010.

From a more cynical view, these changes would appear to be only part of a larger initiative to shift responsibility and authority from DCAA to DCMA. On the surface it would appear to be exactly as the memos state: a careful realignment of duties and resources. The Project on Government Oversight (POGO) and others have speculated publically if the shift is not a defensive preparation for the day when DCAA could become independent of DOD and, therefore, even less controllable than they are now.