

Testimony

of

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before the

Commission on Wartime Contracting In Iraq and Afghanistan

The Contingency Acquisition Workforce: What Is Needed and How Do We Get There?

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Chairman Thibault, Chairman Shays, and members of the Commission; thank you for the opportunity to appear before you today. I am pleased to provide you with an overview of DCAA's role in supporting Overseas Contingency Operations (OCO) and discuss the progress we have made towards ensuring that DCAA is providing an experienced and well trained audit workforce to support OCO.

Background

DCAA is a distinct agency of the Department of Defense (DoD) that reports to the Under Secretary of Defense (Comptroller). The DCAA mission is to perform all necessary audits of contractors for DoD components responsible for the negotiation, administration, and settlement of contracts and subcontracts. DCAA's mission supports DoD's efforts to obtain maximum value for the dollars spent in defense contracting, thereby protecting the taxpayer's interest. DCAA audits approximately 9,000 contractors each year. To carry out its single mission, DCAA has about 4,700 employees and 111 field audit offices around the world. More than 85 percent of DCAA's personnel are auditors. And of those auditors, 29 percent hold advanced degrees and 28 percent are Certified Public Accountants (CPAs).

DCAA Contingency Contracting Audit Effort Update

DCAA is responsible for providing Iraq/Kuwait/Afghanistan-related contract audit services to both DoD and other Government organizations for about 120 contractors. These contractors hold more than 310 prime contracts with contract ceiling amounts of \$97.8 billion and funding to date of about \$81.3 billion. Under LOGCAP III and IV alone, approximately \$44 billion has been awarded through July 2010.

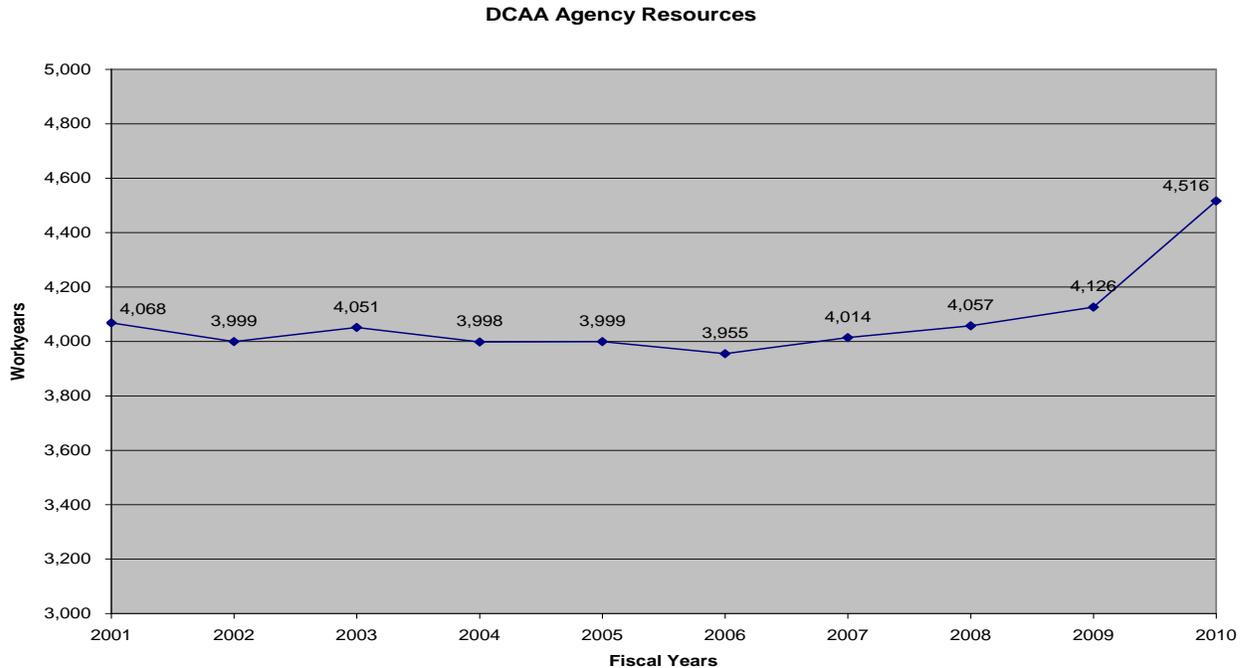
DCAA has supported Contingency Operations in Iraq, Kuwait, and Afghanistan since May of 2003. Since that time approximately 250 auditors have served overseas in various theaters of operations in support of Operation Iraqi Freedom and Operation Enduring Freedom, and this is in addition to the audit support provided by multiple DCAA field audit offices located at contingency contractor locations in the United States. Through August 2010, DCAA has issued 3,464 reports in support of in-theater contracts, and we are expecting to issue over 50 more during the remainder of FY 2010.

To date (August 31) for FY 2010, DCAA has performed 428 audits covering \$21.8 billion in proposed or claimed contractor costs relating to OCO contracts. These audits recommended reductions in proposed or billed costs of \$1.2 billion or roughly 5.5 percent (referred to as questioned costs), and \$4 billion or roughly 18 percent in estimated costs where the contractor did not provide sufficient information to explain the basis of the estimated amounts (referred to as unsupported costs). Since inception, DCAA has reported total exceptions of \$22 billion (questioned costs of \$10 billion plus unsupported costs of \$12 billion) related to our oversight efforts of in-theater contracts.

DCAA Resources

DCAA uses a bottoms-up estimating model to determine audit requirements. Each individual DCAA office estimates the required audit effort on an annual basis. In addition to identifying total annual audit requirements to comply with laws, regulations and Agency policy, for the FY 2011 audit plan we had the individual offices use a risk-based approach to identify those audits that are the Agency's highest priority.

DoD has been adding staff to DCAA. From FY 2008 through FY 2010, DCAA's staff increased by about 500 workyears. Staff levels have reached about 4,500.



However, despite these increases, I do not believe that DCAA currently has the resources to perform all the work it is currently being asked to carry out.

I expect that we can move toward resolving this problem by using a risk-based planning process that focuses on the highest-payback areas for the Department. DCAA is working with its stakeholders in the acquisition community to identify low-risk audit efforts that can be divested or deferred. This effort is consistent with Secretary Gates' direction to reduce the cost of support operations. It is important to note that DCAA considers support for Contingency Operations a high-risk area and provides all necessary resources to perform OCO audits.

Even after divesting lower-priority work, DCAA may need more staff. In his August 9 announcement, Secretary Gates imposed a three-year freeze at the FY10 levels on the staffs of all

defense agencies, including DCAA. If DCAA needs added staff, I will request an exemption from that freeze, which Secretary Gates indicated he would consider for agencies performing acquisition work. DCAA's staffing needs will be considered during this fall program/budget review, with results being announced in February 2011 as part of the FY 2012 budget request.

DCAA's Hiring Initiatives

DCAA is in the process of developing its Human Capital Plan. As part of this effort, DCAA has completely revamped the way it hires people. We have developed assessment tools to allow recruiting from outside DCAA, above the entry level, and have opened up recruiting to external candidates. Currently, the Agency has an open/continuous announcement to recruit mid-career candidates from outside the Government.

DCAA's Training Initiatives

DCAA is revamping its training to ensure new hires are brought on board and trained as efficiently as possible. We have added a new live course (Advanced Contracting Auditing) for all new hires, for a total of three live classes that new hires take within the first 8 months of coming on board. DCAA has also developed a new supervisory course that will focus on the supervisor's role in the professional development of all new hires. All DCAA supervisors, GS 13 through SES, will take the new course.

We are also creating additional programs at the local office level to ensure a smooth transition for all new hires. This includes an on-boarding program that ensures new employees are welcomed at their office and a mentoring program that provides on-the-job training under the direction of an experienced DCAA auditor.

For training more specific to OCO, DCAA will conduct a technical workshop in FY 2011 focused on performing audits of contingency contractors.

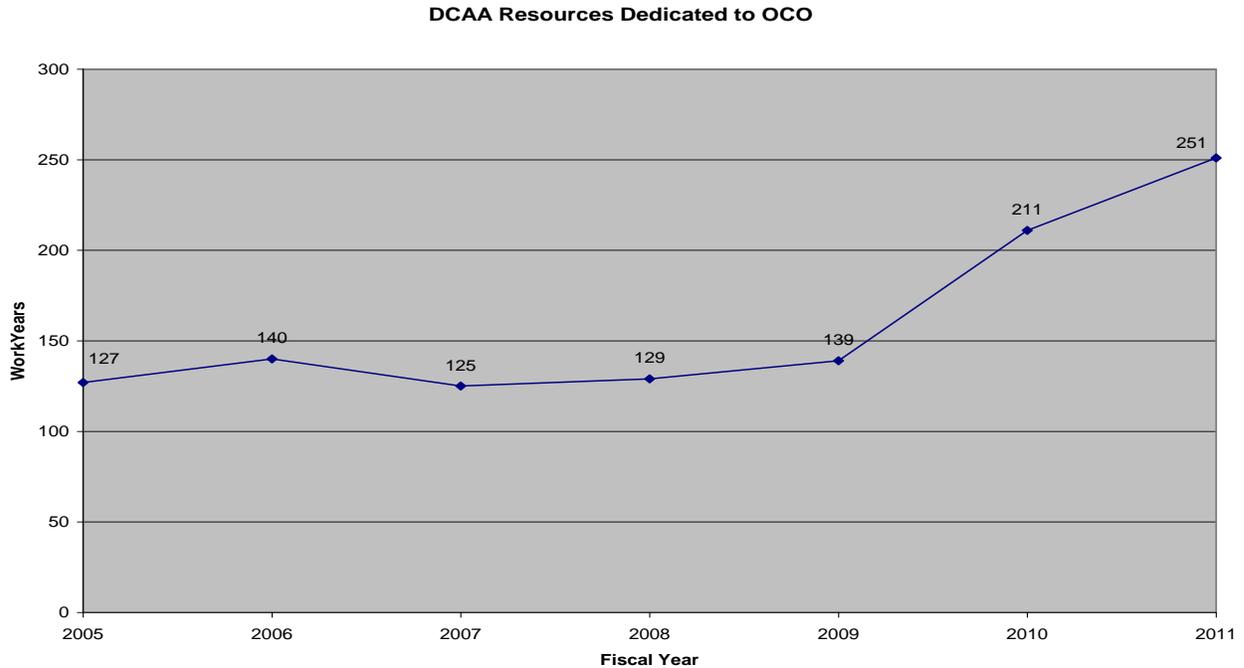
Increasing Resources Allocated to Contingency Operations

Soon after my appointment as the Director of DCAA in November 2009, I identified DCAA audit support relating to the awarding and administering of OCO Contracts as one of DCAA's top priorities and communicated this to the DCAA workforce and the acquisition community. Since that time, DCAA has coordinated closely with the acquisition community to ensure that we have the appropriate audit coverage for this high-risk contingency contracting and auditing environment.

We continue to assess and increase our presence in theater. Since opening the Iraq Branch Office (IBO) in May of 2003 we have covered the work in Iraq, Afghanistan and Kuwait with roughly 17 to 23 auditors all reporting through the IBO. In October 2009 we separated the Afghanistan work from the work in Iraq and Kuwait when we established the Afghanistan Branch Office (ABO). The ABO staff of 17 in Afghanistan is in addition to the 17 working in Iraq and Kuwait for the IBO, which results in a near doubling of our presence to conduct the Agency's important mission in theater. Based on our current workload, we anticipate increasing our presence to approximately 40 auditors in theater (IBO and ABO) by the end of FY 2010. We will use some of these resources to support Task Force 2010 to assist CENTCOM in combating corruption in Afghanistan. Since the beginning of the war, DCAA has been able to support our in-theater workforce entirely through volunteers.

Another important component of our contingency operations effort is the work done at the DCAA CONUS audit offices with cognizance of companies performing contracts in theater.

So far in 2010, 67 of DCAA's 111 audit offices performed audit work in support of contingency operations. The chart below illustrates the workyears dedicated to OCO since FY 2005.



Closing

In closing, I would like to say that I am very proud of DCAA's highly skilled, hard-working and dedicated auditors supporting DCAA's important mission. In particular, I would like to personally acknowledge the dedication of those auditors on the ground with our soldiers in Iraq, Afghanistan, and Kuwait, who are supporting the overseas contingency contracting oversight in austere environments and conditions. I would also like to acknowledge those at our CONUS field audit office locations who are also supporting this important work that continues to provide real value to the Department. I appreciate the opportunity to testify before you today and I will be glad to respond to your questions.