

Statement of
Senator Susan M. Collins

**Expediency Versus Integrity:
Do Assembly-Line Audits at the Defense
Contract Audit Agency Waste Taxpayer Dollars?**

Committee on Homeland Security and Governmental Affairs
September 10, 2008

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More than two years ago, Senator Lieberman and I asked the Government Accountability Office (GAO) to undertake a comprehensive assessment of audit work performed by the Defense Contract Audit Agency (DCAA). The DCAA is the principal auditor for contracts at the Department of Defense.

We asked for this investigation in response to allegations of serious mismanagement that had been reported to the GAO, the DOD Inspector General, and this Committee. During the course of its review, the

GAO uncovered outrageous conduct and flawed audits at three offices in DCAA's western region.

The comprehensive GAO audit requested by the Committee will be issued this fall, but I commend the GAO for releasing an interim report detailing the significant shortcomings already observed in DCAA audit practices.

In this interim report, GAO investigators confirmed that DCAA issued audit opinions with inadequate support, that supervisors altered audit opinions with insufficient justification, that some major audits were conducted by inexperienced staff without adequate supervision, and – most troubling of all – that some DOD contractors “improperly influenced” the audits.

These GAO findings suggest that wasteful or fraudulent use of taxpayer dollars has gone undetected and that the government may have been overbilled by some contractors to the tune of millions of dollars.

Thorough, accurate, and tough audits are essential, and DCAA's work must be untainted by pressure or conflicts of interest. Instead, the GAO found "numerous failures" to comply with government auditing standards. That is a serious failing for, as the GAO notes, substandard audits do not provide assurances that billions of dollars in payments to these contractors complied with federal regulations, accounting standards, or contract terms.

These facts are bad enough. But GAO's work also reveals that at least one major defense

contractor reached advance understandings with DCAA about the nature and scope of an audit, that some DCAA employees changed findings at the direction of senior managers, and that “a pattern of frequent management actions ... served to intimidate the auditors and create an abusive environment” at two locations.

I am also deeply concerned about GAO’s findings that whistleblowers who reported misconduct were subject to intimidation and threats from supervisors. Congress relies on courageous whistleblowers to expose wrongdoing so that we can improve federal programs and operations. It is critical that supervisors throughout the federal government respect the protections our laws provide whistleblowers and act swiftly to remedy the problems that they identify.

As we address the particular problems that the GAO has identified, we must also work to reestablish DCAA as a first-rate audit agency.

Some current and former DCAA employees have identified performance metrics keyed to speed and volume as undermining good auditing practices in some cases. Whether the subject is executive compensation, mortgage underwriting, or contract auditing, metrics that emphasize time and volume over quality or long-run results can invite shortcuts, sloppy work, and ultimately, program failure. It does little good to have internal controls and review processes if employees are gaming or bypassing them to the detriment of the organization's mission.

Of course, inappropriate influences can also come from outside of an organization. All of us are

familiar with the case of the Air Force procurement officer who negotiated a plush job with a defense contractor while also engaged in negotiating a \$24 billion contract with the company. Ultimately, she pled guilty to criminal conflict-of-interest violations.

The GAO report suggests that a few unscrupulous DCAA employees may have been more interested in protecting contractors and securing future employment than in protecting taxpayers and national security.

These failures at DCAA illustrate the aptness of a question raised by a Roman satirist nearly 2,000 years ago: “Who shall guard the guardians themselves?” We rely on the many honest and hard-working employees at DCAA to be the first line of defense. When the audit agency fails, problems

cascade through the system, and ultimately can short-change our troops in the field. Congress must carefully consider the reforms needed at DCAA in light of these disclosures.

I commend the GAO for its diligence and thoroughness in studying this problem, and look forward to the completion later this fall of the comprehensive audit that the Chairman and I requested two years ago.

The GAO coordinated its work with the DOD Inspector General and with the Defense Criminal Investigation Service. I expect these investigators to vigorously pursue any criminal conduct exposed in their independent investigations.

I also commend the Chairman for this latest example of our shared interest in probing defects in our federal acquisition process.

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