



*Fact Sheet*

**CONTRACT AUDITS AT FEDERAL AGENCIES**

**Senator Claire McCaskill**

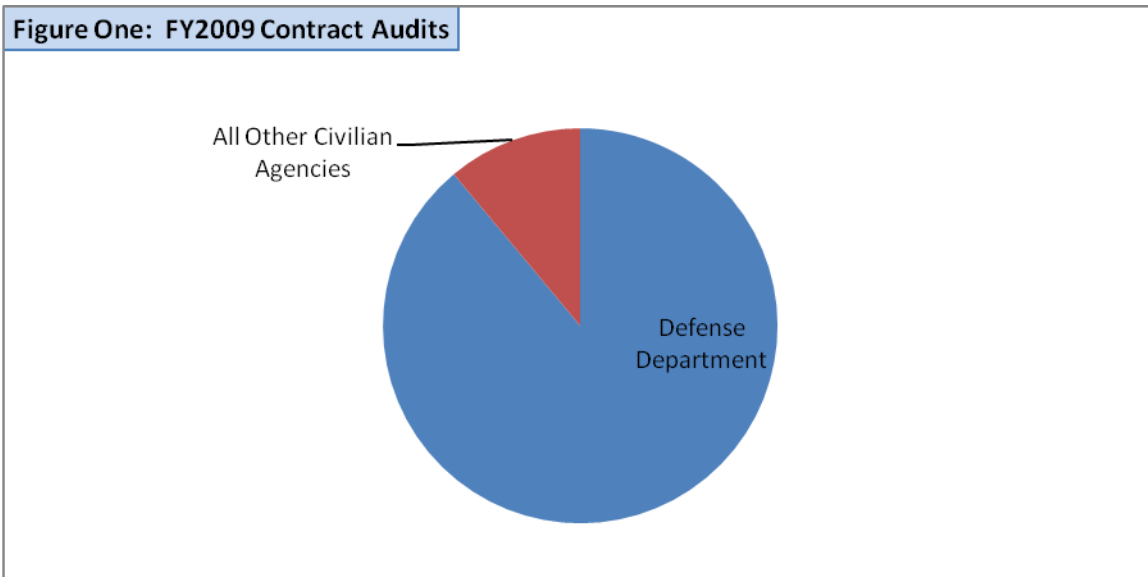
**Chairman, Subcommittee on Contracting Oversight**

In 2009, the federal government spent more than \$540 billion through contracts.<sup>i</sup> Contract audits are one of the key components of effective oversight of these contracts. According to the Government Accountability Office, audits of the cost and performance of government programs are “essential for government accountability to the public and transparency” about whether the government is getting value for taxpayer dollars.<sup>ii</sup>

The Subcommittee on Contracting Oversight has been investigating how federal agencies use contract audits to detect and prevent waste, fraud, and abuse in government contracts. In April 2010, the Subcommittee requested information from 22 federal agencies about the number and type of contract audits conducted at each agency in 2009, including whether the audits were performed by agency officials, outside contractors, or the Defense Contract Audit Agency (DCAA).<sup>iii</sup> This fact sheet provides a summary of the Subcommittee’s findings.

*Significant Variation in Frequency of Contract Audits:* In 2009, federal agencies conducted approximately 17,000 contract audits. On average, that amounts to one audit for every \$489.3 million spent through contracts.<sup>iv</sup>

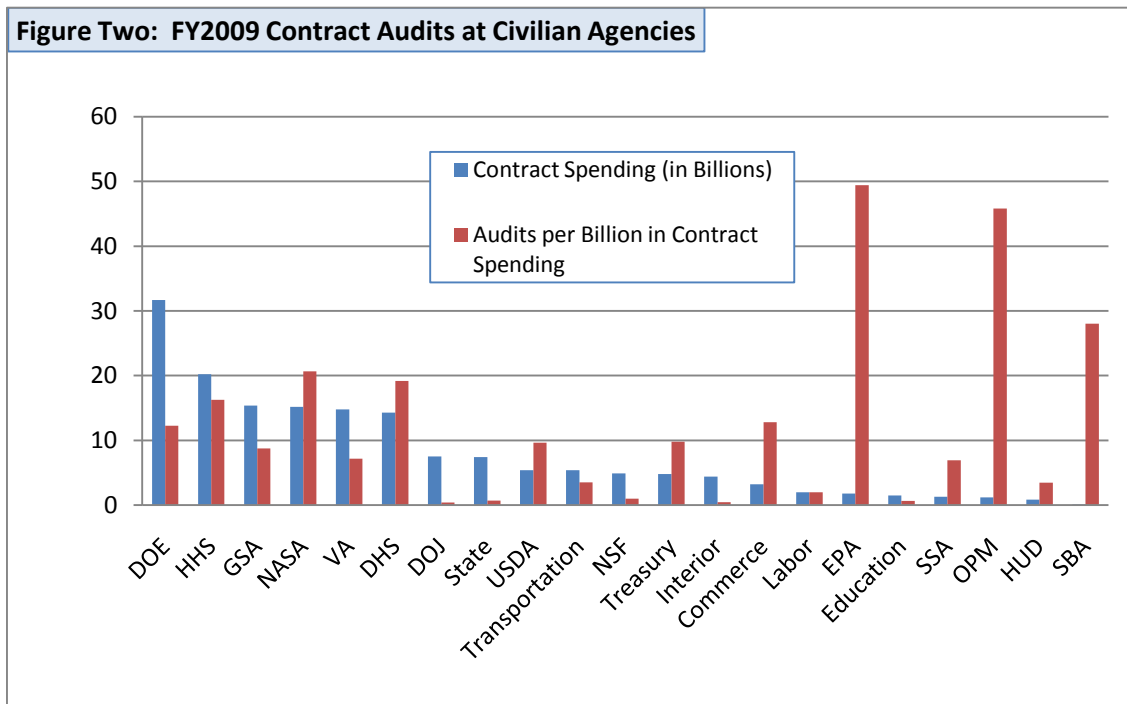
The Defense Department accounts for the majority of contract audits conducted by the federal government. In 2009, the Defense Department, which awarded approximately 70% of all contract dollars spent by the federal government, conducted approximately 89% of all contract audits. See Figure One below.



In total, the Defense Department conducted 15,136 contract audits, an average of one audit for every \$24.7 million spent through contracts. Civilian agencies conducted 1,885 audits, an average of one audit for every \$511.4 million spent through contracts.

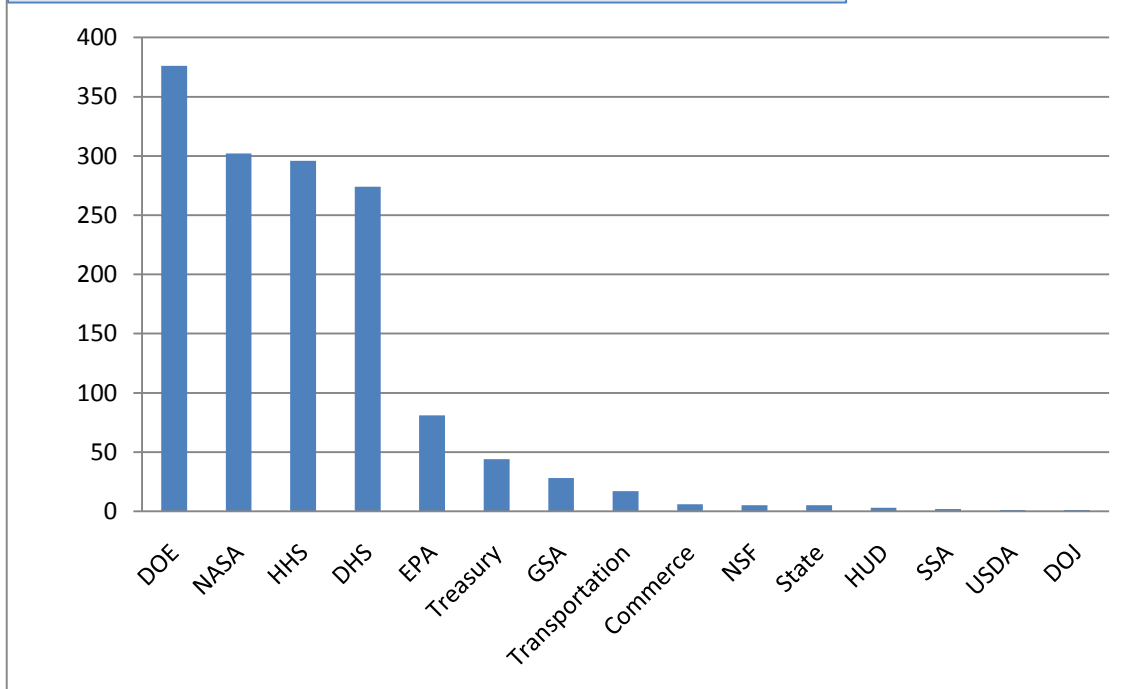
There is a significant variation among civilian agencies in the use of contract audits. The Department of Energy (DOE), which has the second highest level of contract spending after the Defense Department, conducted 389 contract audits, an average of one audit for every \$81.5 million spent on contracts. By contrast, the Environmental Protection Agency conducted one audit for every \$20.2 million; the Department of Homeland Security (DHS) conducted one audit for every \$52.2 million; the General Services Administration conducted one audit for every \$114.1 million; the State Department conducted one audit for every \$1.5 billion; and the Department of Justice conducted one audit for every \$2.5 billion.

In other words, the Defense Department conducted nearly 41 audits for every billion dollars spent through contracts, while DOE conducted approximately 12 audits for every billion. The Environmental Protection Agency conducted 49 audits; the Department of Homeland Security (DHS) conducted 19 audits; the General Services Administration conducted 9 audits; and the State Department and the Department of Justice each conducted less than one audit for every billion spent through contracts. See Figure Two below.



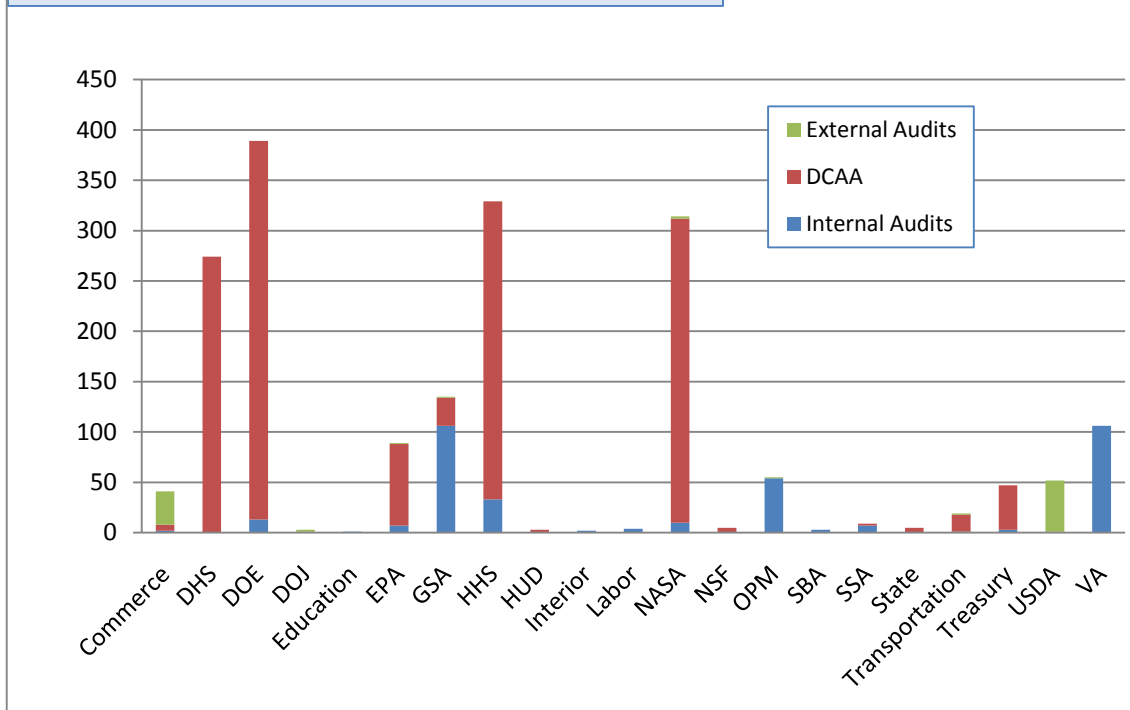
**Reliance on DCAA and External Auditors to Perform Contract Audits:** Many federal agencies other than the Department of Defense rely heavily on DCAA to perform contract audits. Of the 1,885 audits conducted by civilian agencies in 2009, the agencies reported that 1,441 (76%) were performed by DCAA. In 2009, the Department of Health and Human Services conducted 329 contract audits, of which 296 (90%) were performed by the Defense Contract Audit Agency. See Figure Three below.

**Figure Three: FY2009 Contract Audits by DCAA for Civilian Agencies**



Some agencies also rely on private contractors to supplement the audit services of the Office of Inspector General and DCAA. For example, the Department of Agriculture spent more than \$2.8 million in 2009 to acquire contract audit services from three different contractors. In total, federal agencies reported using organizations other than their Office of Inspector General or DCAA to perform 92 contract audits in 2009. See Figure Four below.

**Figure Four: FY2009 Contract Audits at Civilian Agencies**



*Failure to Consistently Track Contract Audits:* The information provided to the Subcommittee shows that there is no consistent tracking of contract audits. In addition to requesting information from federal agencies, the Subcommittee asked DCAA to provide information about the number of audits it performed for federal agencies. DCAA reported that it performed 1,161 audits for agencies other than the Defense Department in 2009. In other words, federal agencies reported that DCAA performed 280 more audits than DCAA reported to the Subcommittee.

There is no consistent pattern in difference between the information reported by DCAA and the agencies. For example, DHS reported that DCAA performed 274 contract audits for the agency, while DCAA reported that it performed only 77 audits for DHS. The Department of Transportation reported that DCAA performed 17 audits, while DCAA reported that it performed 81 audits for the Department.

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<sup>i</sup> For data about contract spending, the Subcommittee relies on USASpending.gov, the government's searchable website of data relating to government contracts, grants, and other spending.

<sup>ii</sup> U.S. Government Accountability Office, *Government Auditing Standards: July 2007 Revision* (July 2007).

<sup>iii</sup> The Subcommittee requested information from the Department of Agriculture, Department of Commerce, Department of Homeland Security, Department of Defense, Department of Energy, Department of Justice, Department of Education, Environmental Protection Agency, General Services Administration, Department of Health & Human Services, Department of Housing & Urban Affairs, Department of Interior, Department of Labor, National Air & Space Administration, National Science Foundation, Office of Personnel Management, Small Business Administration, Social Security Administration, Department of State, Department of Transportation, Department of Treasury, and Department of Veterans Affairs. The information provided by the Department of State does not include contract audits performed by or on behalf of the U.S. Agency for International Development.

<sup>iv</sup> For all agencies other than the Department of Energy and NASA, audit numbers are based on the information received from each agency, including the agency's tally of how many audits were conducted by DCAA. Because neither the Department of Energy nor NASA could provide an individual tally for the number of audits conducted by DCAA, the Subcommittee relied on information provided by DCAA for those two agencies.