CONTRACTOR BUSINESS SYSTEMS

DOD Needs Better Information to Monitor and Assess Review Process

Why GAO Did This Study

Contractor business systems produce critical data that contracting officers use to help negotiate and manage defense contracts. These systems and their related internal controls act as important safeguards against fraud, waste, and abuse of federal funding. Federal and defense acquisition regulations and DOD policies require that DOD take steps to review the adequacy of certain business systems, but GAO and other oversight entities have raised questions about the sufficiency and consistency of DOD’s review process.

The National Defense Authorization Act for Fiscal Year 2018 contained a provision for GAO to evaluate how DOD implemented legislation intended to improve its business system review process. Among other things, this report examines (1) the changes DOD made to its review process and (2) the extent to which DOD is ensuring timely business system reviews.

GAO analyzed DOD acquisition regulations, policies, and procedures for conducting contractor business system reviews and analyzed data on reviews conducted between fiscal years 2013 and 2018.

What GAO Recommends

GAO recommends that DCMA, in collaboration with DCAA, develop a mechanism to monitor and ensure contractor business system reviews are conducted in a timely fashion. DOD concurred with the recommendation.

DCMA relies on the three offices responsible for conducting DCMA-led reviews to manage the reviews, but DCMA does not formally monitor whether these reviews are being conducted consistent with policy nor does it monitor DCAA’s efforts to complete the audits for which it is responsible. DCMA is ultimately responsible for approving a contractor’s business systems. DCMA currently lacks a mechanism based on relevant and reliable information, such as the number of reviews that are outstanding and the resources available to conduct such reviews, to ensure reviews are being completed in a timely fashion. Such information could help inform more strategic oversight on whether the current review process is achieving its intended results, or whether additional changes to the timing of or criteria for conducting reviews are needed.