

GAO Highlights

Highlights of [GAO-25-107558](#), a report to congressional committees

Why GAO Did This Study

GAO's prior work found that DCAA faced challenges in conducting incurred cost audits in a timely manner. This led to a backlog and exposed the government to financial risk.

Section 803 of the National Defense Authorization Act for Fiscal Year 2018 directed DOD to use independent public accountants and DCAA to eliminate its backlog of incurred cost audits and maintain an appropriate mix of government and private sector capacity, among other things.

The act includes a provision for GAO to evaluate DCAA's use of independent public accountants for incurred cost audits from fiscal years 2020 through 2023. This report assesses (1) the effect DCAA's use of independent public accountants has had on its ability to eliminate its backlog of incurred cost audits and conduct other types of audits; (2) the extent to which DCAA has planned for their future use; and (3) how DCAA provides oversight and assesses performance. To do this work, GAO interviewed DCAA officials and independent public accountants, analyzed agency data, and reviewed a nongeneralizable sample of 10 task orders covering 57 incurred cost audits.

What GAO Recommends

GAO recommends that DCAA formally assesses the future use of independent public accountants and communicates its plans to Congress. DOD concurred with the recommendation. DOD stated that it will conduct an evaluation and present a plan to Congress by April 30, 2026.

For more information, contact Mona Sehgal at sehgalm@gao.gov.

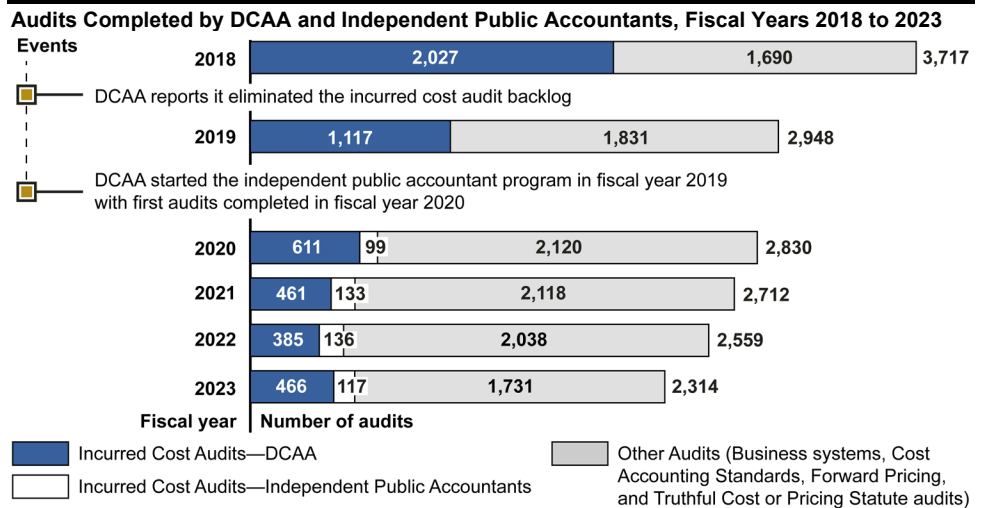
May 2025

DEFENSE CONTRACT AUDIT AGENCY

Formal Assessment Needed to Determine Future Use of Independent Public Accountants

What GAO Found

Before certain Department of Defense (DOD) contracts can be closed, the Defense Contract Audit Agency (DCAA) audits contractors' incurred costs to ensure they are permissible under government regulations. Since fiscal year 2020, DCAA has used independent public accountants to perform certain incurred cost audits. However, DCAA largely eliminated its backlog of incurred cost audits by the end of fiscal year 2018, before using independent public accountants. This freed up resources for DCAA auditors to focus on other complex and higher risk audits—e.g., business system audits (see figure). DCAA officials attribute the elimination of DCAA's backlog to, in large part, its use of its risk-based sampling methodology, which reduced the number of audits required.



In an October 2018 report to Congress, DCAA outlined its plan for using independent public accountants, though actual use has been less than intended. According to DCAA officials, the number of audits available to independent public accountants declined after DCAA revised its criteria for assigning audits to independent public accountants, and its risk-based sampling methodology in 2020. However, DCAA has not formally assessed its future use of independent public accountants, nor communicated its plans to Congress. This would help DCAA ensure it maintains an appropriate mix of DCAA auditors and independent public accountants—as called for in statute—and avoid future backlogs. Communicating its plan would help facilitate Congress's oversight role.

GAO found that for a sample of 10 task orders, the award process helped ensure that independent public accountants met federal qualification requirements. DCAA also reviewed their work in accordance with quality assurance plans. However, DOD's Inspector General recently raised concerns about the quality and completeness of the independent public accountants' work products in its review. DCAA disagreed with the recommendations and said that the audits were based on sufficient evidence. GAO did not independently assess the Inspector General's findings or independent public accountants' audit work products.