

Why GAO Did This Study

The Defense Contract Management Agency (DCMA) provides contract administration services for DOD buying activities. Its contract management offices (CMO) work with defense contractors to help ensure that goods and services are delivered on time, at projected cost, and that they meet performance requirements. DCMA also supports combatant commanders during contingency operations. As DCMA recovers from years of significant downsizing, GAO was asked to (1) assess how the agency is positioning itself to meet its missions, (2) determine the extent to which contingency missions affect its oversight domestically, and (3) identify other factors that may affect its domestic missions going forward. GAO reviewed regulations, policies, and guidance, analyzed the status of contractor business systems for 17 defense contractors, and interviewed a wide range of DCMA officials.

What GAO Recommends

GAO recommends that DOD work with DCMA and DCAA to identify and execute options to assist in audits of contractor business systems. GAO also recommends that DCMA clarify for CMOs the agency's plans to continue funding existing workforce positions and that it identify ways to accurately reflect the status of contractor business systems, such as changing the status to unassessed when audits are delayed. DOD concurred with the first two recommendations. DOD partially concurred with the remaining recommendation but discussed several planned actions which, if implemented, should improve the transparency of system assessments.

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DEFENSE CONTRACT MANAGEMENT AGENCY

Amid Ongoing Efforts to Rebuild Capacity, Several Factors Present Challenges in Meeting Its Missions

What GAO Found

After undergoing significant shifts in its workforce, structure, and policies and procedures over the past 10 years, DCMA has taken steps to rebuild its capacity. As the workforce declined, the agency experienced significant erosion of expertise in some areas, such as the cost and pricing function, such that it could not fulfill all of its oversight functions. A shift to a substantially decentralized, customer-oriented approach in the mid-2000s, intended to mitigate the impact of this workforce imbalance, resulted in unintended consequences such as inefficiencies in how work was done at the CMOs. DCMA has since begun to rebuild workforce expertise and has instituted new, centralized policies and procedures. The agency expects to reach about 13,400 total civilian staff by 2015—a 43 percent increase from about 9,300 staff in 2008. DCMA's military workforce has generally ranged between 500 and 600 in recent years. A growing number of DCMA's new employees have been hired using the Defense Acquisition Workforce Development Fund. To help gauge progress in meeting its missions, the agency uses performance indicators for contractor supplier base issues and DCMA processes, workload, and resources.

Agency staff deployed on contingency missions are small in number—272—when compared with the number of total DCMA employees, but several DCMA officials told GAO that deployments have a constraining impact on the agency's domestic mission. CMO officials identified examples of how their operations have been affected by deployments, such as delays in conducting timely quality assurance, audits of contractor processes, and contract close-out activities. The impact of deployments depends on the type of deployment or on certain features of the CMO; the timing of military leaders' deployments; and multiple or extended deployments of civilian volunteers. DCMA has noted support for the warfighter is a high priority for the agency, but has taken steps to mitigate the impact of deployments, such as lengthening deployment time frames to reduce their frequency. To minimize the impact of civilian deployments, DCMA established a position for a corps of personnel to support the contingency mission.

Several factors may affect DCMA's ability to meet its missions going forward. One significant source of external risk stems from DCMA's reliance on the Defense Contract Audit Agency (DCAA) to conduct audits of certain contractor business systems. Business systems—such as accounting and estimating systems—are the government's first line of defense against fraud, waste, and abuse. Because of its own workforce struggles, DCAA has lagged in completing a number of such audits and is currently focusing on other high priority areas. GAO found, however, that DCMA contracting officers maintained their determination of many contractor business systems as adequate despite the fact that the systems had not been audited in a number of years—in many cases well beyond the time frames outlined in DCAA guidance. Further, based on a recent DOD policy change, DCAA is no longer auditing contractor proposals below certain cost thresholds, and DCMA will need to use newly-hired contract cost/price analysts to help pick up this increased workload. Internal risks are also present, such as uncertainty on the part of CMOs about whether funding will be available to retain personnel hired using the Defense Acquisition Workforce Development Fund.