



Peer Review of the Defense Contract Audit Agency (DCAA) for Fiscal Year 2024

Deliverable – System Report

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Submitted to:

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June 25, 2025

Jennifer Desautel
Director
Defense Contract Audit Agency
8725 John J. Kingman Road
Fort Belvoir, Virginia 22060

Subject: System Peer Review Report on the Defense Contract Audit Agency (DCAA) Audit Organization

Dear Ms. Desautel:

Attached is the System Peer Review Report of the Defense Contract Audit Agency (DCAA) audit organization conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. Your response to the report is included in its entirety in Enclosure III of the report.

We appreciate the cooperation and courtesies extended to our staff during the review.

If you have any questions, please contact me by phone at (301) 346-8981, or e-mail at McCoy.Williams@teamacuity.com.

McCoy Williams, CPA
Managing Partner
Acuity Consulting, Inc.

Enclosures-3



SYSTEM REVIEW REPORT OF THE DEFENSE CONTRACT AUDIT AGENCY (DCAA)
FOR THE PERIOD OCTOBER 1, 2023 THROUGH SEPTEMBER 30, 2024

Table of Contents

Independent Peer Review Report	1
Basis of Opinion	2
Responsibilities and Limitations	3
Enclosure I	
Background	4
Objective	4
Scope and Methodology	5
Risk Assessment	5
Sampling Plan	5
Policies and Procedures (Appendix A)	6
Independence, Competence, and Quality Control (Appendix B)	6
Continuing Professional Education Records (Appendix B)	6
Interviews	7
Surveys (Optional Appendix G)	7
Reissued Reports	7
Terminated Audits	7
Internal Inspections	8
Independent Public Accountants (IPA) Audits (Appendix F)	8
DCAA Staff Audits (Appendix D1)	8
Enclosure II	
Reviewed Government Auditing Standards Engagements	9
Enclosure III	
Management Response	12



System Review Report

June 25, 2025

Jennifer Desautel,
Director
Defense Contract Audit Agency
8725 John J. Kingman Road
Fort Belvoir, Virginia 22060

Dear Ms. Desautel:

We have reviewed the system of quality control for the Defense Contract Audit Agency (DCAA) in effect for the year ended September 30, 2024. A system of quality control encompasses DCAA's organizational structure, and the policies adopted, and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards*¹, commonly referred to as generally accepted government auditing standards (GAGAS), and applicable legal and regulatory requirements. The elements of quality control are described in Government Auditing Standards.

In our opinion, the system of quality control for the audit organization of DCAA in effect for the year ended September 30, 2024, has been suitably designed and complied with to provide DCAA with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. DCAA has received an External Peer Review rating of *pass*.

¹ The Government Auditing Standards are issued by the Comptroller General of the United States. The 2018 Revision, issued in July 2018, and Technical Update April 2021, was in effect during the period covered by this peer review.



Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of Inspectors General on Integrity and Efficiency (CIGIE) related to DCAA's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether DCAA had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on DCAA's monitoring of work performed by IPAs.

Basis of Opinion

Our review was conducted in accordance with Government Auditing Standards and the CIGIE *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*².

During our review, we interviewed DCAA personnel and obtained an understanding of the nature of the DCAA audit organization, and the design of DCAA's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with DCAA's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of DCAA's audit organization, with emphasis on higher-risk audits.

In performing our review, we obtained an understanding of the system of quality control for the DCAA audit organization. In addition, we tested compliance with DCAA's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DCAA's policies and procedures on selected GAGAS engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

² The Guide was issued by the Council of the Inspectors General on Integrity and Efficiency in March 2020.



Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with DCAA management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure I to this report provides more detailed information on the background, objective, scope, and methodology of our review. Enclosure II provides a list of DCAA audits reviewed. Enclosure III includes Management's Response to this peer review report.

Responsibilities and Limitation

DCAA is responsible for establishing and maintaining a system of quality control designed to provide DCAA with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and DCAA's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

We wish to acknowledge the exceptional assistance and extensive cooperation provided by DCAA staff in our performance of the peer review. The work could not have been completed without their full participation and support.

Acuity Consulting

June 25, 2025

Acuity Consulting, Inc.
Alexandria, Virginia

Enclosures-3



Enclosure I

Background

The Defense Contract Audit Agency (DCAA), while serving the public interest as its primary customer, performs all necessary contract audits for the Department of Defense (DoD) and provides accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration. These services are provided in connection with negotiation, administration, and settlement of contracts and subcontracts to ensure taxpayer dollars are spent on fair and reasonable contract prices. DCAA provides contract audit services to other Federal Agencies, as appropriate.

DCAA's organizational structure consists of four Corporate Audit Directorates organized by major contractors, three geographical regions primarily focused on large, mid-sized, and small contractors, and a Field Detachment focused on classified work.

DCAA's professional workforce consists of about 4,400 employees and has about 230 offices located throughout the United States, Europe, and the Middle East.

To comply with professional standards, DCAA is required to undergo an external peer review at least once every three (3) years by an organization not affiliated with DCAA. The external peer review should determine whether DCAA's internal quality control review system is in place and operating effectively to provide DCAA with reasonable assurance that its established policies and procedures and applicable auditing standards are being followed.

Objective

The objective of this engagement was to conduct an Independent Peer Review of DCAA in accordance with Government Auditing Standards (GAS), and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) standards and guidelines. The peer review also considered selected audit work performed by DCAA offices during the period October 1, 2023 through September 30, 2024.

The primary objective of the peer review was to provide a reasonable basis for determining whether DCAA's system of quality control is suitably designed and DCAA is complying with its quality control requirements in order to provide it with reasonable assurance of conformance with applicable professional standards.



Scope

Acuity performed a virtual peer review of DCAA that included assessing fifty-nine audits conducted by DCAA staff for the period October 1, 2023 through September 30, 2024. We conducted the review from September 17, 2024 to June 30, 2025. We performed, among other things, a detailed review and assessment of audit procedures identified in the selected audits conducted by DCAA staff.

Our review was sufficient in scope to provide us a reasonable basis for determining whether, for the period under review, DCAA's system of quality control was suitably designed and whether DCAA was complying with its quality control system to provide DCAA with reasonable assurance of conforming to applicable professional standards.

Finally, Acuity provided a written System Report detailing our conclusions to the Contracting Officer's Representative (COR). Acuity did not prepare a Letter of Comment.

Methodology

We performed the virtual peer review in accordance with Government Auditing Standards, CIGIE standards and guidelines, and DCAA's policies and procedures including the Contract Audit Manual (CAM). We tested compliance with DCAA's system of quality control to the extent we considered appropriate. Our tests included performing risk assessments, developing sampling plans, testing DCAA's policies and procedures, independence and general controls testing, reviewing Continuing Professional Education (CPE) records, and interviewing and surveying a cross section of DCAA staff. We evaluated a sample of Reissued Reports, Terminated Audits, and DCAA's Internal Inspection Process. We also reviewed a sample of IPA audits for compliance with Government Audit Standards and DCAA's contract award and oversight monitoring. Finally, we reviewed a sample of audits performed by DCAA staff for compliance with Government Auditing Standards. Our specific methodology by area follows.

Risk Assessments:

We performed a preliminary risk assessment at the beginning of the peer review and updated our assessment throughout the peer review as we held interviews and reviewed DCAA documents to gain a better understanding of DCAA operations. Our initial risk assessment was low, and our final risk assessment was low given our understanding of DCAA operations and testing performed.

Sampling Plan:

We held a staff meeting to develop our sampling plan. The plan included using IDEA, our sampling software package, to select various samples that we planned to test. For example, to test



CPE records our criteria was a 90 percent confidence level with a 10 percent expected error rate and set parameter at 70 items to be selected. For each sample selected, we reviewed the original outcome to assure ourselves that we had a good cross section of records, staff, or audits to test. In those cases, we felt a representative sample was not selected, we judgmentally added items. For example, if the original sample did not include a staff at a certain grade level, we randomly added a staff at that grade level to our sample.

Policies and Procedures (Appendix A):

To test DCAA policies and procedures, we requested DCAA staff to complete column 1 of CIGIE Appendix A, Policies and Procedures. We reviewed DCAA's responses to the questions in Appendix A to determine if DCAA's policies and procedures were current, comprehensive, and adequately designed in a manner that if properly fulfilled would provide DCAA with reasonable assurance that Government Auditing Standards (GAS) would be met. As part of our assessment of the policies and procedures, we completed Column 2 of CIGIE's Appendix A.

Independence, Competence, and Quality Control and Peer Review Standards (Appendix B):

To test overall independence, staff competency, and quality control and peer review standards, we assessed the placement of DCAA on the DoD organization chart; independence policies; independence training; staff independence on the sample audits we reviewed; DCAA's staffing roster for certifications; and DCAA's hiring, promotion, and retention policies.

Continuing Professional Education Records (Appendix B):

We selected a sample of auditors from a universe of 3,533 DCAA auditors performing GAGAS audits. We selected 81 samples and ensured at least one selection for each grade level. If the 81 samples did not have all the grade levels, we selected 1 more sample from each grade level not included in the original sample with no more than 5 extra samples. We reviewed training records of selected DCAA auditors to determine if they met the 20 CPE hours minimum a year, a total of 80 CPE hours during the 2-year period, and a minimum of 24 hours related to governmental auditing to determine if the selected auditors obtained the required number of continuing professional education hours and to determine whether the auditors were independent and competent. We were provided proper supporting documents of classes/training taken during the period October 1, 2023 to December 30, 2024. One staff retired on November 30, 2024 and did not meet the minimum CPE requirement by 1.6 hours.

Interviews:

Acuity selected a sample, from a universe of 3,533, of DCAA auditors who performed GAGAS audits during Fiscal Year 2024. In selecting the sample, we used a 90-percent confidence level and



a 10-percent expected error rate and set a parameter of 70. We selected 78 samples and determined there was at least one selection for each grade level. Of the 78 employees we were notified that 3 employees were on leave without pay indefinitely and 5 employees left DCAA during the peer review process for a total of 70 DCAA staff interviewed.

We developed and administered a structured interview instrument that was designed to assess DCAA staff knowledge of the agency's quality control system, staff knowledge of independence and CPE requirements, and staff understanding of how information is communicated throughout the agency. We also inquired about areas staff believed could be improved or are considered best practices.

Surveys (Optional Appendix G):

We administered CIGIE's Appendix G, Optional Audit Staff Survey, to a sample of DCAA staff that performed GAGAS audits during Fiscal Year 2024. Acuity selected a sample, from a universe of 3,533, of DCAA auditors who performed GAGAS audits during Fiscal Year 2024. In selecting the sample, we used a 90-percent confidence level and a 10-percent expected error rate and set a parameter of 70. We selected 70 samples and ensured at least one selection for each grade level. If the 70 samples did not have all the grade levels, we selected 1 more sample from each grade level not included in the original sample with no more than 5 extra samples.

We modified Appendix G to reflect the type of engagements performed by DCAA. After sending a second request to DCAA staff that had not responded to our request, Acuity received all completed surveys. This represented a response rate of 100 percent. We summarized the checkmarks by yes, mostly, some, no, no opinion, and n/a to assess DCAA staff knowledge of the agency's quality control system. We also reviewed additional written comments some staff provided about DCAA's quality control system.

Reissued Reports:

Acuity developed a template of questions to ask DCAA staff about our sample of reissued reports. We provided the list of questions on the template to DCAA staff who responded to each question. We reviewed their responses and related audit files to confirm the reasons for the reissuance. The universe of reissued reports during Fiscal Year 2024 was 7. We selected all 7 reissued reports to review.

Terminated Audits:

We selected a sample of 45 audits that were terminated during Fiscal Year 2024 from a universe of 1,874. Most terminated audits were planned but never started. Of the 45 samples we selected only 5 were started and had hours charged to the engagement.



For those terminated audits that had hours charged to the codes, we reviewed the work that was performed up to the point of termination for compliance with GAS. Hours charged ranged from 18 to 50. The engagements we reviewed were in the planning or risk assessment phase when the engagements were terminated.

Internal Inspections:

The universe of internal inspections during Fiscal Year 2024 was 12. We reviewed all 12 internal inspections. We obtained briefings from DCAA Quality Control Team regarding how the agency performs internal inspections. We reviewed overall statistics on findings by the DCAA Inspection Team and related corrective actions taken.

We reviewed a listing of audits inspected and the results for Fiscal Years 2022 and 2023. Also, we reviewed various directives on internal inspections such as DCAA Directive S-103 Elements of DCAA's Quality Control System. For our selection of 12 samples, we developed and administered a template of questions to determine if the internal inspection process was effective and conducted in accordance with DCAA policies and procedures.

Independent Public Accountants (IPAs) Audits (Appendix F):

Acuity selected a sample of 15 out of a universe of 125 audits performed by IPAs during Fiscal Year 2024. We completed CIGIE Appendix F, Checklist for the Monitoring of GAGAS Engagements Performed by an Independent Public Accounting Firm, to test our sample of audits performed by IPAs for compliance with DCAA's policies and procedures and GAS. We also documented a briefing from DCAA staff on its policies and procedures for awarding and monitoring contracts awarded to IPAs.

DCAA Staff Audits (Appendix D1)

Acuity selected a sample of 59 GAGAS audits performed by DCAA staff during Fiscal Year 2024 from a universe of 2,340 audits. Acuity followed our 3 steps approach to reviewing the engagements for compliance with DCAA policies and procedures and Government Auditing Standards (GAS). First, we reviewed the engagement files to gain an understanding of the objective, scope, and methodology of the engagement. We also performed a check of the staff assigned to the engagement to see if the team as a whole was qualified to perform the engagement by checking staffing levels and their certifications based on the staffing roster DCAA provided to Acuity. Next, we utilized Acuity's 21 points checklist to determine if the engagement complied with DCAA's policies and procedures and GAS. Finally, we completed CIGIE Appendix D1, Checklist for Examination Engagements Performed by the Office of Inspector General, to determine if the engagement complied with GAS.

A list of the 59 audits we tested are included in Enclosure 2.



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Enclosure II

List of Reviewed Government Auditing Standards Engagements

	DCAA Audit Number	DCAA Region	DCAA Field Audit Office	DCAA Audit Description
1	2024L17741001	Central	Ohio River Valley Branch Office	Blue Quartz Software LLC
2	2022K10100041	Field Detachment	Shenandoah Branch Office	09811-6271
3	2024F19200001	Field Detachment	East Florida Branch Office	09711-052
4	2024A23000001	GDRT	RTX Corporate Resident Office	Raytheon Corporate Office
5	2024A17740003	Western	San Diego Branch Office	Quartus Engineering Incorporated
6	2024A23000001	Field Detachment	South Central Branch Office	0974-001
7	2022M10100006	Western	Seattle Branch Office	S&K Technologies Inc (Corporate)
8	2024C17740003	Eastern	Carolina Branch Office	Corvid Atea LLC
9	2024P19100002	Eastern	Southeastern Maryland Branch Office	JF Taylor Inc.,
10	2023L21000006	Boeing	Boeing Huntsville Branch Office	BDS-Space Missiles and Electronic Design
11	2023O21000006	GDRT	GD Combat Systems RO	GD-OTS Niceville
12	2024O17741001	GDRT	RTX Collins Aerospace Res Office	Simmons Precision Products Inc Goodrich
13	2024S17740002	Western	Silicon Valley Branch Office	Mirai Solar Corp.
14	2024I79000001	Eastern	Southeastern Maryland Branch Office	ASRC Mission Solutions LLC
15	2022Y10100001	Boeing	Boeing Evergreen Resident Office	Boeing Enterprise Services (ABU GG)
16	2023A17100001	Central	North Texas Branch Office	Amentum Services, Inc
17	2023C19403001	Field Detachment	Central Florida Branch Office	09531-001
18	2023B10502002	Eastern	Newport News Shipbuilding	Newport News Shipbuilding
19	2023O17741007	Central	Florida Sunshine State Branch Office	Bushido Associates Inc
20	2024O19100003	GDRT	RTX Collins Aerospace Res Office	Intelligence Software & Services
21	2022G10100016	Eastern	Herndon Branch Office	Peraton Enterprise Services Segment
22	2024F21000004	Central	North Alabama Branch Office	Cooperative Utility SVCS LLC



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23	2024W19100001	Field Detachment	Longhorn Branch Office	09761-011
24	2021T10100021	Western	Utah-New Mexico Branch Office	Westech International Inc
25	2023N17741001	Central	Long Island Branch Office	Excellerix LLC
26	2023M21000002	Western	Utah-New Mexico Branch Office	Barnes Group Inc.
27	2024J11070001	Central	South Texas & Louisiana Branch Office	KBR Intermediate Home Office
28	2023M19403001	Field Detachment	East Florida Branch Office	09531-008
29	2024D11090001	GDRT	RTX Collins Aerospace Res Office	HSC-Hamilton Soundstrand Corp.
30	2024K19418001	Eastern	Herndon Branch Office	CACI International
31	2023G17740003	Western	Sierra Branch Office	Good Energy Collective Inc.
32	2024H23000001	LM-BAE	BAE Land and Armaments York Res Office	BAE Systems Ordnance Systems
33	2024T21000001	Field Detachment	Mountain View Branch Office	09521-019
34	2024V17741001	Eastern	Northern Virginia Branch Office	Vision Point Systems, Inc
35	2024R17740005	Central	Upstate New York Branch Office	Enercon Systems Inc
36	2024P23000001	Central	Ohio River Valley Branch Office	University of Dayton Research Institute
37	2024M21000001	Western	Sierra Branch Office	RIX Industries
38	2024A17741008	Eastern	Central Maryland Branch Office	Sealing Technologies Inc
39	2022A0100004	Field Detachment	Valley Forge Branch Office	09821-857
40	2022J10100004	Central	South Texas & Louisiana Branch Office	KBR Intermediate Home Office
41	2023M23000004	Western	Chicago Branch Office	University of Illinois at Urbana-Champaign
42	2024H23000003	LM-BAE	BAE Land and Armaments York Red Office	BAE Systems Ordnance Systems Inc – Radford
43	2024J11070001	Eastern	Hamptons Road Branch Office	AECOM Corporation
44	2023A19403002	Central	North Alabama Branch Office	Blue Halo
45	2023B21000015	Northrop Grumman	NG Defense Sector McLean RO	Northrop Gunman Defense Services Sector
46	2024B19408001	Central	North Alabama Branch Office	Colsa Corporation
47	2024O21000005	GDRT	GD Combat Systems RO	GD-OTS Niceville
48	2022B10100004	Northrop Grumman	NG Defense Sector McLean RO	Northrop Grumman Defense Systems Combat Systems
49	2023H21000001	Eastern	New England Office	Ensign Bickford Aerospace & Defense Company



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50	2023G24010003	LM-BAE	LM Aeronautics Marietta RO	Lockheed Martin Logistic Services
51	2023R17900002	Boeing	Boeing Mesa Resident Office	Boeing Enterprise Services (ABU GG)
52	2024S21000003	Western	General Atomics Resident Office	General Atomics Aeronautical Systems Inc (GA-ASI)
53	2024D17740001	Eastern	Northern Virginia Branch Office	Delviom LLC
54	2023A192000002	Central	North Texas Branch Office	Amentum Home Office
55	2024M19500001	Eastern	New England Branch Office	Sea Corp LLC
56	2022F10100001	Northrop Grumman	NG Corporate Falls Church RO	Northrop Grumman Corporate Office
57	2024N21000003	Northrop Grumman	NG Electronics Bus. Sys Linthicum RO	NGDS-Tactical Propulsion & Ordnance (ABL)
58	2024A19100005	Eastern	Central Maryland Branch Office	GP Strategies Corporation
59	2022N10100001	Western	Seattle Branch Office	Apogee Group LLC



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Enclosure III

Management Response



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OFFICE OF THE DIRECTOR

June 25, 2025

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SUBJECT: External Peer Review Draft Report on the Defense Contract Audit Agency (DCAA)
Audit Organization

Dear Mr. Williams:

We have reviewed the draft peer review report on the Defense Contract Audit Agency (DCAA) for the period of October 1, 2023, through September 30, 2024, and concur with the results and your overall conclusion of a rating of *pass*.

We wish to acknowledge the dedication and professionalism the Acuity team demonstrated during the performance of the peer review.

Any questions concerning this letter may be directed to Ms. Jennifer Quinones, Assistant Director of the Contract Audit Standards and Assurance Directorate at (571) 574-1872 or Jennifer.I.quinones4.civ@mail.mil.

Sincerely,

Jennifer L. Desautel
Director, DCAA